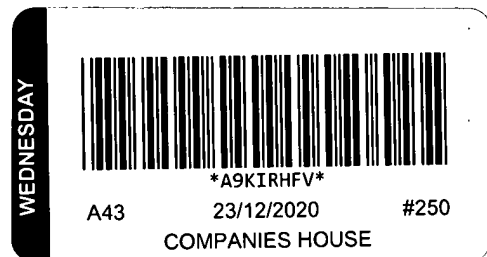


**REGISTERED NUMBER: 03887115 (England and Wales)**

**Strategic Report, Directors' Report and  
Financial Statements  
for the 16 month period  
1 September 2018 to 31 December 2019  
for  
Fourth Limited**



**Fourth Limited (Registered number: 03887115)**

**Contents of the Financial Statements  
for the period 1 September 2018 to 31 December 2019**

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**Fourth Limited**  
**Company Information**  
**for the period 1 September 2018 to 31 December 2019**

**DIRECTORS:**

C Anderson  
C Berthelsen  
J Whitmarsh

**REGISTERED OFFICE:**

90 Long Acre  
Covent Garden  
London  
WC2E 9RA

**REGISTERED NUMBER:**

03887115 (England and Wales)

**INDEPENDENT AUDITORS:**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
No 1 Spinningfields  
1 Hardman Square  
Manchester  
M3 3EB

**Fourth Limited (Registered number: 03887115)**

**Strategic Report  
for the period 1 September 2018 to 31 December 2019**

The directors present their strategic report for the period 1 September 2018 to 31 December 2019.

**PRINCIPAL ACTIVITIES**

The principal activity of the Company during the 16 month period is that of developing and offering "Software as a Service" products and services to the hospitality industry.

**REVIEW OF BUSINESS**

Turnover in the 16 month period ended 31 December 2019 was £55.1m (2018: £37.3m) an increase of 11.4% on an annualised basis. This was mainly due to customers expanding the number of locations and purchasing a greater variety of products.

On 9 July 2019, the business was sold which led to substantial reorganisation costs of £3.2m being incurred to streamline systems and processes. These have been presented on the face of the income statement as exceptional items within administrative expenses. As a result, operating losses were £3.7m (2018: operating profit of £0.7m).

**PRINCIPAL RISKS AND UNCERTAINTIES**

The Company's operations expose it to a variety of financial risks that include liquidity risk, foreign exchange risk, interest rate risk and credit risk. The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet its foreseeable commitments and to invest cash assets safely and profitably. Short term flexibility is achieved by overdraft facilities.

Foreign exchange rate risk arises from transactions when goods and services are bought or sold in currencies other than Sterling. The Company has a strategy of natural hedging to mitigate these risks.

Interest rate risk includes exposure to changes in the UK base rate and LIBOR as interest rates are variable.

The effects of credit risk are controlled as the Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed on a regular basis. The Board receives regular reports on amounts due and amounts significantly overdue and the relevant action taken.

The Directors acknowledge the market and business uncertainty created by Brexit and more recently the impact of COVID-19. The industry is expected to be heavily impacted by the social distancing restrictions imposed around the world and therefore the company has undertaken a detailed programme of review to ensure it can be supportive to its customers and employees throughout the pandemic. This has included a significant cost reduction plan which maintains sufficient liquidity and mitigates the risk of non-compliance with the group's financial covenants. The Company has taken advantage of the Coronavirus Job Retention Scheme where appropriate.

**FUTURE DEVELOPMENTS**

The outlook for the company in 2020, has been downgraded as the majority of customers have been required to close their premises for several weeks. Continual assessments are being made as more information is available to evaluate how the sector rebounds in the coming months. Further cost saving actions and additional modifications to the financial plan have been discussed in depth which may require implementation depending on future developments including the duration and spread of the outbreak and additional government restrictions, all of which are highly uncertain and cannot be predicted.

Investment in R&D is still important to ensure that the company can be flexible in meeting the demands of our customers as their requirements are anticipated to change.


**KEY PERFORMANCE INDICATORS (KPIs)**

The Company's strategy is one of growth with longer term profitability improvements. The directors monitor progress against this strategy by reference to a number of KPI's.

Performance for the period, together with comparative data for the previous year is set out in the table below:

	2019	2018	Definition, method of calculation and analysis
Growth in sales (%)	5.1%	7.5%	Year on year annualised consolidated sales growth expressed as a percentage
Gross margin	67.0%	64.3%	Gross profit expressed as a percentage of turnover

**ON BEHALF OF THE BOARD:**



.....  
J Whitmarsh - Director

Date: 9 December 2020

**Fourth Limited (Registered number: 03887115)**

**Directors' Report  
for the period 1 September 2018 to 31 December 2019**

The directors present their report with the audited financial statements of the company for the period 1 September 2018 to 31 December 2019.

**CHANGE OF ACCOUNTING REFERENCE DATE**

The Company passed a special resolution on 9 December 2019 changing its accounting reference date from 31 August 2019 to 31 December 2019. This was passed in order to align with other group entities.

**DIVIDENDS**

No dividends will be distributed for the period ended 31 December 2019.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 September 2018 to the date of this report.

C Berthelsen

Other changes in directors holding office are as follows:

C Anderson - appointed 2 December 2019

J E England - resigned 9 October 2020

J Whitmarsh - appointed 5 October 2019

B M Patel - appointed 9 July 2019 - resigned 19 August 2019

S M Goldblatt - resigned 9 July 2019

B W Hood - resigned 31 December 2019

S G Bocca ceased to be a director after 31 December 2019 but prior to the date of this report.

**DIRECTORS' INDEMNITIES**

The Company maintained throughout the period, and at the date of approval of the financial statements, liability insurance for its directors and officers. This is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

**DISABLED EMPLOYEES**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

**RESEARCH AND DEVELOPMENT**

The Company has maintained its policy of devoting significant internal resources to develop and enhance its product offering. The business invests in research and development so that its product offerings retain their market leadership position.

**EMPLOYEE CONSULTATION**

The Company maintain a policy of regular consultation and discussion with its employees on a wide range of issues that are likely to affect their interest and ensure that all employees are aware of the financial and economic performance of their business units and of the Company as a whole.

**EVENTS AFTER THE END OF THE REPORTING PERIOD**

The directors acknowledge the market and business uncertainty created by the impact of COVID-19. The industry is expected to be heavily impacted by the social distancing restrictions imposed around the world and therefore the main trading entities within the group have undertaken a detailed programme of review to ensure they can be supportive to customers and employees throughout the pandemic. This has included a significant cost reduction plan which maintains sufficient liquidity and mitigates the risk of non-compliance with the group's financial covenants. The company has supported other entities within the group during this time by not seeking repayment of intercompany balances.

The outlook for the company in 2020, has been downgraded as the majority of customers have been required to close their premises for several weeks. Continual assessments are being made as more information is available to evaluate how the sector rebounds in the coming months. Further cost saving actions and additional modifications to the financial plan have been discussed in depth which may require implementation depending on future developments including the duration and spread of the outbreak and additional government restrictions, all of which are highly uncertain and cannot be predicted.

**CHARITABLE AND POLITICAL DONATIONS**

The Company made charitable contributions during the period of £11,412 (2018: £3,758). The Company has not made any political donations or incurred any political expenditure during the period.

**Fourth Limited (Registered number: 03887115)**

**Directors' Report**  
**for the period 1 September 2018 to 31 December 2019**

**GOING CONCERN**

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons. The company has received confirmation from its intra-group creditors confirming that they will not seek repayment of amounts owed to them for a period of at least 12 months from the date of signing these financial statements. The company is also part of a wider group which has external bank debt and is required to comply with bank covenants. The directors have prepared projected base case cash flow information for the company and the group, including forecast bank covenant calculations and potential downside scenarios, for the period to 31 December 2021, which include various scenarios modelling different rates of recovery from COVID-19. These forecasts show that the company and the group expects to be able to continue to operate within its existing facilities and meet its covenant tests throughout the forecast period. Consequently, the company continues to adopt the going concern basis of preparation.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

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

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.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**INDEPENDENT AUDITORS**

In the previous year KPMG LLP resigned as the auditor. The current auditors, PricewaterhouseCoopers LLP, have been appointed during the period and will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**



.....  
J Whitmarsh - Director

Date: 9 December 2020

# ***Independent auditors' report to the members of Fourth Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Fourth Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the 16 month period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2019; the Statement of Comprehensive Income and the Statement of Changes in Equity for the 16 month period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

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

### **Independence**

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

---

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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### **Reporting on other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

# ***Independent auditors' report to the members of Fourth Limited (continued)***

## ***Strategic Report and Directors' Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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## **Responsibilities for the financial statements and the audit**

### ***Responsibilities of the directors for the financial statements***

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

### ***Auditors' responsibilities for the audit of the financial statements***

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

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

### ***Use of this report***

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

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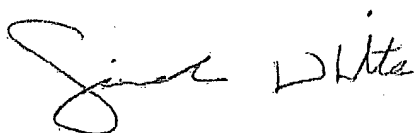
## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Simon White (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
10 December 2020



Fourth Limited (Registered number: 03887115)

Statement of Comprehensive Income  
for the period 1 September 2018 to 31 December 2019

		16 month period 1.9.18 to 31.12.19 £'000	Year Ended 31.8.18 £'000
	Notes		
<b>TURNOVER</b>	4	55,095	37,323
Cost of sales		(18,179)	(13,318)
<b>GROSS PROFIT</b>		36,916	24,005
Administrative expenses before exceptional items		(41,599)	(24,338)
Exceptional items	7	(3,227)	(392)
Administrative expenses		(44,826)	(24,730)
Other operating income	8	4,173	1,449
<b>OPERATING (LOSS)/PROFIT</b>	6	(3,737)	724
Interest receivable and similar income	9	16	-
Interest payable and similar expenses	10	(195)	(107)
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		(3,916)	617
Tax on (loss)/profit	11	308	136
<b>(LOSS)/PROFIT FOR THE FINANCIAL PERIOD</b>		<u>(3,608)</u>	<u>753</u>
<b>OTHER COMPREHENSIVE INCOME</b>		-	-
<b>TOTAL COMPREHNSIVE INCOME/(EXPENSE) FOR THE FINANCIAL PERIOD</b>		<u>(3,608)</u>	<u>753</u>

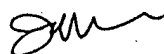
The notes on pages 10 to 18 form part of these financial statements

Fourth Limited (Registered number: 03887115)

**Balance Sheet**  
**As at 31 December 2019**

		As at 31 December 2019 £'000	As at 31 August 2018 £'000
	Notes		
<b>FIXED ASSETS</b>			
Intangible assets	12	6,380	7,043
Tangible assets	13	550	634
Investments	14	<u>18,369</u>	<u>9,680</u>
		<u>25,299</u>	<u>17,357</u>
<b>CURRENT ASSETS</b>			
Debtors	15	30,841	24,063
Cash at bank and in hand		<u>2,017</u>	<u>8,102</u>
		32,858	32,165
<b>CREDITORS</b>			
Amounts falling due within one year	16	<u>(29,521)</u>	<u>(25,762)</u>
<b>NET CURRENT ASSETS</b>		<u>3,337</u>	<u>6,403</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		28,636	23,760
<b>DEFERRED TAX LIABILITY</b>	19	<u>-</u>	<u>(165)</u>
<b>NET ASSETS</b>		<u>28,636</u>	<u>23,595</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	1,432	1,345
Share premium		12,207	3,645
Retained earnings		<u>14,997</u>	<u>18,605</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>28,636</u>	<u>23,595</u>

The financial statements on pages 7 to 18 were approved by the Board of Directors and authorised for issue on 9 December 2020 and were signed on its behalf by:



.....  
J Whitmarsh - Director

The notes on pages 10 to 18 form part of these financial statements

**Fourth Limited (Registered number: 03887115)**

**Statement of Changes in Equity  
for the period 1 September 2018 to 31 December 2019**

	Notes	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Total equity £'000
<b>Balance at 1 September 2017</b>		1,345	17,852	3,645	22,842
<b>Changes in equity</b>					
Profit for the year		-	753	-	753
Total comprehensive income		-	753	-	753
<b>Balance at 31 August 2018</b>		1,345	18,605	3,645	23,595
<b>Changes in equity</b>					
Loss for the period		-	(3,608)	-	(3,608)
Total comprehensive expense		-	(3,608)	-	(3,608)
Issue of share capital	20	87	-	8,562	8,649
Total transactions with owners, recognised directly in equity		87	-	8,562	8,649
<b>Balance at 31 December 2019</b>		1,432	14,997	12,207	28,636

The notes on pages 10 to 18 form part of these financial statements

**Fourth Limited (Registered number: 03887115)**

**Notes to the Financial Statements  
for the period 1 September 2018 to 31 December 2019**

**1. STATUTORY INFORMATION**

Fourth Limited is a private company, limited by shares, registered in England and Wales. The Company's registered number and registered office address can be found on the Company Information page.

**2. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and in accordance with the Companies Act 2006. The results of the financial statements are for a 16 month period to 31 December 2019 with comparatives shown for 12 months to 31 August 2018. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company is included in the consolidated financial statements of HS4 Acquisitionco, Inc. The consolidated financial statements of HS4 Acquisitionco, Inc are available to the public and may be obtained from the address given in Note 20. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key management personnel compensation.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

**Going concern**

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons. The company has received confirmation from its intra-group creditors confirming that they will not seek repayment of amounts owed to them for a period of at least 12 months from the date of signing these financial statements. The company is also part of a wider group which has external bank debt and is required to comply with bank covenants. The directors have prepared projected base case cash flow information for the company and the group, including forecast bank covenant calculations and potential downside scenarios, for the period to 31 December 2021, which include various scenarios modelling different rates of recovery from COVID-19. These forecasts show that the company and the group expects to be able to continue to operate within its existing facilities and meet its covenant tests throughout the forecast period. Consequently, the company continues to adopt the going concern basis of preparation.

**Turnover**

Revenue shown in the profit and loss account represents amounts receivable during the period, exclusive of value added tax.

Revenue in relation to system rentals to the hospitality industry is recognised in the month the service is provided. System rentals are primarily sold on a contract basis and incentives provided are spread over the term of the contract.

Revenue in relation to payroll bureau services and managed services to the hospitality industry is recognised in the month the service is provided.

Implementation revenue is recognised when the services to which it relates have been provided.

**Exceptional Items**

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the company. They are items that are material either because of their size or their nature, or that are nonrecurring are considered as exceptional items and are presented within the line items to which they best relate.

**Intangible assets**

Intangible fixed assets represent costs capitalised on the internal development of software which has an estimated useful economic life of five years over which they are amortised on a straight line basis.

**Fourth Limited (Registered number: 03887115)**

**Notes to the Financial Statements - continued  
for the period 1 September 2018 to 31 December 2019**

**2. ACCOUNTING POLICIES - continued**

**Tangible fixed assets**

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures and fittings	-	25% per annum (straight line)
Equipment	-	25% per annum (straight line)

**Investments in subsidiaries**

Investments in subsidiary undertakings are stated at cost, including directly attributable acquisition costs less any accumulated impairment.

**Taxation**

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

**Deferred tax**

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense. Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

**Research and development**

Expenditure on research and development is written off to the profit and loss account in the period in which it is incurred. Development expenditure is capitalised only where there is a clearly defined project, the expenditure is separately identifiable, the outcome of the project can be assessed with reasonable certainty, aggregate costs are not expected to exceed related future sales and adequate resources exist to enable the project to be completed.

**Foreign currencies**

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

**Pension costs and other post-retirement benefits**

The Company operates one group personal pension scheme. The assets of the scheme are held separately from those of the Company 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.

**Share capital**

Ordinary shares are classed as equity.

**Share premium**

Share premium represents the difference between the nominal value of shares issued and the fair value of consideration received.

**Short term debtors and creditors**

Short term debtors and creditors with no stated interest rate are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account.

**Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, cash held within banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

**3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The company capitalises related development costs until such time as the product incorporating the software is commercialised, at which time capitalisation ceases. However, there can be no assurance that such products will complete the development phase or will be commercialised or that market conditions will not change in the future requiring a revision to management's assessment of such future cash flows which could lead to additional amortisation or impairment charges. The Company has capitalised development costs with a net book value of £6,379,000 (31 August 2018: £7,041,000).

**Fourth Limited (Registered number: 03887115)**

**Notes to the Financial Statements - continued  
for the period 1 September 2018 to 31 December 2019**

**4. TURNOVER**

The turnover and loss (2018 - profit) before taxation are attributable to the one principal activity of the company.

An analysis of turnover by class of business is given below:

	16 month period 1.9.18 to 31.12.19 £'000	Year Ended 31.8.18 £'000
Product subscription	50,013	37,323
Installation & service	<u>5,082</u>	<u>-</u>
	<u>55,095</u>	<u>37,323</u>

An analysis of turnover by geographical market is given below:

	16 month period 1.9.18 to 31.12.19 £'000	Year Ended 31.8.18 £'000
United Kingdom	52,898	35,601
United States of America	93	198
Rest of the world	<u>2,104</u>	<u>1,524</u>
	<u>55,095</u>	<u>37,323</u>

**5. EMPLOYEES AND DIRECTORS**

	16 month period 1.9.18 to 31.12.19 £'000	Year Ended 31.8.18 £'000
Wages and salaries	29,044	16,295
Social security costs	3,067	1,847
Other pension costs	<u>575</u>	<u>357</u>
	<u>32,686</u>	<u>18,499</u>

The average number of employees during the period was as follows:

	16 month period 1.9.18 to 31.12.19	Year Ended 31.8.18
Directors and management	14	11
Administrative	<u>387</u>	<u>374</u>
	<u>401</u>	<u>385</u>

	16 month period 1.9.18 to 31.12.19 £	Year Ended 31.8.18 £
Directors' remuneration	2,912,000	689,000
Directors' post employment benefits	<u>25,000</u>	<u>26,000</u>

**Fourth Limited (Registered number: 03887115)**

**Notes to the Financial Statements - continued  
for the period 1 September 2018 to 31 December 2019**

**5. EMPLOYEES AND DIRECTORS - continued**

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>3</u>	<u>5</u>
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Information regarding the highest paid director is as follows:

	16 month period 1.9.18 to 31.12.19 £	Year Ended 31.8.18 £
Salaries and other short-term benefits	868,000	197,520
Pension contributions to money purchase schemes	<u>6,000</u>	<u>16,186</u>

**6. OPERATING (LOSS)/PROFIT**

The operating loss (2018 - operating profit) is stated after charging/(crediting):

	16 month period 1.9.18 to 31.12.19 £'000	Year Ended 31.8.18 £'000
Depreciation and amortisation written off tangible and intangible fixed assets	4,381	3,233
Operating lease rentals - buildings	967	755
Exceptional costs	3,227	392
Management recharges	(3,710)	(974)
RDEC tax credit	(463)	(475)
Auditors' fees for the audit of the financial statements	144	13
Auditors' fees for non-audit services	<u>326</u>	<u>-</u>

**7. ADMINISTRATIVE EXPENSES - EXCEPTIONAL**

	16 month period 1.9.18 to 31.12.19 £'000	Year Ended 31.8.18 £'000
Exceptional items	<u>(3,227)</u>	<u>(392)</u>

During the period, the business was sold and as a result senior management and directors were remunerated costing the company £1,959,000. Significant integration costs of £712,000 were also incurred to align systems for operational and reporting purposes with other group companies. In addition to this, the company undertook a significant review of its technology division to reduce overheads in the long term which resulted in a one off cost of £556,000.

**8. OTHER OPERATING INCOME**

	16 month period 1.9.18 to 31.12.19 £'000	Year Ended 31.8.18 £'000
Management recharges	<u>4,173</u>	<u>1,449</u>

**9. INTEREST RECEIVABLE AND SIMILAR INCOME**

	16 month period 1.9.18 to 31.12.19 £'000	Year Ended 31.8.18 £'000
External loan interest	<u>16</u>	<u>-</u>

Fourth Limited (Registered number: 03887115)

Notes to the Financial Statements - continued  
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10. INTEREST PAYABLE AND SIMILAR EXPENSES

	16 month period 1.9.18 to 31.12.19 £'000	Year Ended 31.8.18 £'000
Intercompany loan interest	<u>195</u>	<u>107</u>

11. TAX ON (LOSS)/PROFIT

Analysis of the tax credit

The tax credit on the loss for the period was as follows:

	16 month period 1.9.18 to 31.12.19 £'000	Year Ended 31.8.18 £'000
Current tax:		
Current tax on income for the period	-	66
Adjustment in respect of previous periods	<u>-</u>	<u>25</u>
Total current tax	<u>-</u>	<u>91</u>
Deferred tax:		
Origination and reversal of timing differences	(294)	(218)
Change in tax rate	(1)	16
Adjustment in respect of previous periods	<u>(13)</u>	<u>(25)</u>
Total deferred tax	<u>(308)</u>	<u>(227)</u>
Tax on (loss)/profit	<u>(308)</u>	<u>(136)</u>

Reconciliation of total tax credit included in profit and loss

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	16 month period 1.9.18 to 31.12.19 £'000	Year Ended 31.8.18 £'000
(Loss)/profit before tax	<u>(3,916)</u>	<u>617</u>
(Loss)/profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	(744)	117
Effects of:		
Expenses not deductible for tax purposes	335	40
Income not taxable for tax purposes	(3)	(24)
(Over) provided in prior years	(13)	-
Change in tax rate	(1)	16
Group relief claimed	-	(285)
Deferred tax not recognised on losses carried forward	228	-
Notional tax withheld	<u>(110)</u>	<u>-</u>
Total tax credit	<u>(308)</u>	<u>(136)</u>

The company has an unrecognised deferred tax asset of £228,000 (2018: £nil) relating to deferred tax not recognised. The asset has not been recognised due to the uncertainty of generating future taxable profits against which to recover the asset.

In the Spring Budget 2020, the Government announced that the previously enacted decrease in the corporate tax rate from 19% to 17% from 1 April 2020 would no longer happen and that rates would remain at 19% for the foreseeable future. The new law was substantively enacted by a resolution under the Provisional Collection of Taxes Act 1968 on 17 March 2020.



Fourth Limited (Registered number: 03887115)

Notes to the Financial Statements - continued  
for the period 1 September 2018 to 31 December 2019

12. INTANGIBLE ASSETS

	Other intangible assets £'000	Development costs £'000	Totals £'000
<b>COST</b>			
At 1 September 2018	63	22,524	22,587
Additions	-	3,334	3,334
At 31 December 2019	63	25,858	25,921
<b>ACCUMULATED AMORTISATION</b>			
At 1 September 2018	61	15,483	15,544
Amortisation for period	1	3,996	3,997
At 31 December 2019	62	19,479	19,541
<b>NET BOOK VALUE</b>			
At 31 December 2019	1	6,379	6,380
At 31 August 2018	2	7,041	7,043

13. TANGIBLE ASSETS

	Equipment £'000	Fixtures and fittings £'000	Totals £'000
<b>COST</b>			
At 1 September 2018	2,722	714	3,436
Additions	261	39	300
At 31 December 2019	2,983	753	3,736
<b>ACCUMULATED DEPRECIATION</b>			
At 1 September 2018	2,280	522	2,802
Charge for period	260	124	384
At 31 December 2019	2,540	646	3,186
<b>NET BOOK VALUE</b>			
At 31 December 2019	443	107	550
At 31 August 2018	442	192	634

14. INVESTMENTS

	Shares in group undertakings £'000
<b>COST</b>	
At 1 September 2018	9,680
Additions	8,689
At 31 December 2019	18,369
<b>NET BOOK VALUE</b>	
At 31 December 2019	18,369
At 31 August 2018	9,680

**Fourth Limited (Registered number: 03887115)**

**Notes to the Financial Statements - continued  
for the period 1 September 2018 to 31 December 2019**

**14. INVESTMENTS - continued**

The Company's subsidiary undertakings at the period-end are as follows:

<b>Subsidiary undertaking</b>	<b>Registered office address</b>	<b>Country of incorporation</b>	<b>Principle activity</b>	<b>Class and percentage of shares held</b>
Fourth Holdings Inc	Note 1	USA	Holding company	100% Ordinary
Fourth USA Inc	Note 1	USA	Software services	*100% Ordinary
Choice Employer Solutions Inc	Note 1	USA	Payroll services	*100% Ordinary
Choice Employer Solutions II Inc	Note 1	USA	Payroll services	*100% Ordinary
Choice Employer Solutions III Inc	Note 1	USA	Payroll services	*100% Ordinary
Choice Benefits Inc	Note 1	USA	Payroll services	*100% Ordinary
Team Hours Limited	Note 2	Republic of Ireland	Software services	100% Ordinary
Fourth Bulgaria EOOD	Note 3	Bulgaria	Software services	100% Ordinary
Fourth Software Trading LLC	Note 4	UAE	Software services	49% Ordinary
Octane Communication Studio Limited	Note 5	UK	Dormant	100% Ordinary

\*Denotes investment held indirectly

Note 1 - 9007 Brittany Way, Tampa, FL 33619

Note 2 - 29 Earlsfort Terrace, Dublin 2, D02 AY28

Note 3 - c/o Tsvetkova Bebov Komarevski, Attorneys-at-Law, 9-11 Maria Louisa Boulevard., 1000 Sofia, Bulgaria

Note 4 - Office #2207, Regal Tower, Business Bay, P.O. Box 12639 Dubai, U.A.E.

Note 5 - 90 Long Acre, Covent Garden, London, England, WC2E 9RA

On 24 July 2018, the Company acquired the entire share capital of Octane Communication Studio Limited for consideration of £150,000. Acquisition costs of £133,000 were incurred in the prior year and additional costs of £40,000 were incurred in the period to 31 December 2019. These have been added to the cost of the investment.

On 7 September 2018, an indirect subsidiary of the Company acquired the entire share capital of Choice Employer Solutions Inc, Choice Employer Solutions II Inc, Choice Employer Solutions III Inc and Choice Benefits Inc. The acquisition was partially funded by proceeds transferred down the group in exchange for additional shares. As a result, 8,649,854 Ordinary shares in the Company were allotted at £1.00 per share to its immediate parent, Fourth Holdings Limited, giving rising to additional share capital of £87,000. The Company used the proceeds from the share issue to subscribe for additional shares in Fourth Holdings Inc giving rise to a corresponding increase in the cost of investment.

**15. DEBTORS**

	<b>As at 31 December 2019</b>	<b>As at 31 August 2018</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	2,871	2,324
Amounts owed by group undertakings	25,067	19,905
Other debtors	70	65
Corporation tax	744	719
Deferred tax asset	143	-
Prepayments and accrued income	<u>1,946</u>	<u>1,050</u>
	<u><b>30,841</b></u>	<u><b>24,063</b></u>

Deferred tax asset

	<b>As at 31 December 2019</b>
	<b>£'000</b>
Accelerated capital allowances	(319)
Notional tax withheld	17
Research and development expenditure credit – step 2 amounts carried forward	<u>445</u>
	<u><b>143</b></u>

Amounts owed by group undertakings are repayable on demand and accrue no interest.

**Fourth Limited (Registered number: 03887115)**

**Notes to the Financial Statements - continued  
for the period 1 September 2018 to 31 December 2019**

**16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	As at 31 December 2019 £'000	As at 31 August 2018 £'000
Trade creditors	1,512	254
Amounts owed to group undertakings	20,740	20,065
Taxation and social security	928	1,499
Other creditors	1,919	255
Accruals and deferred income	<u>4,422</u>	<u>3,689</u>
	<u>29,521</u>	<u>25,762</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of redemption and are repayable on demand.

**17. LEASING AGREEMENTS**

Minimum lease payments under non-cancellable operating leases fall due as follows:

	As at 31 December 2019 £'000	As at 31 August 2018 £'000
Within one year	606	684
Between one and five years	1,087	1,457
In more than five years	<u>248</u>	<u>622</u>
	<u>1,941</u>	<u>2,763</u>

**18. SECURED DEBTS**

A cross guarantee is provided containing a fixed and floating charge over the assets of the company. This is in relation to debt held by HS4 Acquisitionco, Inc, a fellow group entity.

**19. PROVISIONS FOR LIABILITIES**

	As at 31 August 2018 £'000
Deferred tax liability	
Accelerated capital allowances	<u>165</u>
	Deferred tax
	£'000
Balance at 1 September 2018	165
Credit to Statement of Comprehensive Income during period	(294)
Utilised during period	(1)
Adjustment to prior years	<u>(13)</u>
Balance at 31 December 2019	<u>(143)</u>

**20. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	As at 31 December 2019 £'000	As at 31 August 2018 £'000
143,216,299 (2018: 134,566,445)	Ordinary	£0.01	<u>1,432</u>	<u>1,345</u>

On 7 September 2018, 8,649,854 Ordinary shares of £0.01 each, were allotted at £1.00 per share resulting in £8,563,000 being credited to share premium.

There are no restrictions on the distribution of dividends or on the repayment of capital.

**Fourth Limited (Registered number: 03887115)**

**Notes to the Financial Statements - continued  
for the period 1 September 2018 to 31 December 2019**

**21. ULTIMATE PARENT COMPANY**

The immediate parent company is Fourth Holdings Limited, a company registered in the United Kingdom, whose registered office is 90 Long Acre, Covent Garden, London, WC2E 9RA.

On 9 July 2019, the entire share capital of the ultimate parent company, Nimbus Acquisitions Holdings Limited, was purchased by HS4 Acquisitionco, Inc. From this date, the ultimate parent company became HS4 Topco LLC, a company registered in Delaware, USA, whose registered office is National Registered Agents, Inc., 160 Greentree Dr STE 101, Dover, Kent 19904.

The smallest group in which the results of the company are consolidated is that headed by HS4 Acquisitionco Inc. The largest group in which the results of the company are consolidated is that headed by HS4 Topco LLC. Both companies are registered in Delaware, USA, with registered offices of National Registered Agents, Inc., 160 Greentree Dr, STE 101, Dover, Kent, 19904.

The ultimate controlling party is Marlin HS4 Aggregator, L.P. by virtue of its majority shareholding.

**22. RELATED PARTY DISCLOSURES**

During the period, the Company advanced cash of £402,000 to Fourth Software Trading LLC, a fellow group company. At the Balance Sheet date, the company was owed £856,000 (2018: £454,000) which is not secured and is repayable in cash on demand.

**23. PENSION SCHEME**

The Company contributes to seven personal pension schemes and one group personal pension scheme for the benefit of employees. The assets of schemes are administered by trustees in funds independent from those of the Group.

The pension charge for the period was £575,000 (2018: £357,000).

**24. EVENTS AFTER THE END OF THE REPORTING PERIOD**

The directors acknowledge the market and business uncertainty created by the impact of COVID-19. The industry is expected to be heavily impacted by the social distancing restrictions imposed around the world and therefore the main trading entities within the group have undertaken a detailed programme of review to ensure they can be supportive to customers and employees throughout the pandemic. This has included a significant cost reduction plan which maintains sufficient liquidity and mitigates the risk of non-compliance with the group's financial covenants. The company has supported other entities within the group during this time by not seeking repayment of intercompany balances.

The outlook for the company in 2020, has been downgraded as the majority of customers have been required to close their premises for several weeks. Continual assessments are being made as more information is available to evaluate how the sector rebounds in the coming months. Further cost saving actions and additional modifications to the financial plan have been discussed in depth which may require implementation depending on future developments including the duration and spread of the outbreak and additional government restrictions, all of which are highly uncertain and cannot be predicted.