

**Strategic Report, Directors' Report and
Financial Statements
for the Year Ended 31 December 2020
for
Fourth Limited**



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for the year ended 31 December 2020**

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Fourth Limited
Company Information
for the year ended 31 December 2020

DIRECTORS:

C Anderson
C Berthelsen
J Whitmarsh

REGISTERED OFFICE:

Forum St Paul's
33 Gutter Lane
Second Floor
London
EC2V 8AS

REGISTERED NUMBER:

03887115 (England and Wales)

INDEPENDENT AUDITORS:

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

**Strategic Report
for the year ended 31 December 2020**

The directors present their strategic report for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year is that of developing and offering "Software as a Service" products and services to the hospitality industry.

REVIEW OF BUSINESS

Turnover for the year ended 31 December 2020 was £39.1m (16 month period ended 31 December 2019: £55.1m), a decrease of 5.3% on an annualised basis. This is mainly due to the national lockdowns in the UK resulting in a large number of customers being unable to operate at normal capacity for several months of the year. Consequently some customers have been forced into administration whilst others undertook significant restructuring programmes, reducing their overall market presence.

In the prior period, the business was sold which led to substantial reorganisation costs of £3.2m being incurred to streamline systems and processes. As a result of the COVID-19 pandemic, a series of redundancies were made across the business in the current year resulting in additional costs of £1.4m which have been presented on the face of the income statement within exceptional items. Further costs savings were made which resulted in an operating profit for the year of £3.8m (2019: operating loss of £3.7m). The company has taken advantage of the Coronavirus Job Retention Scheme where appropriate.

At the year/period end there were net assets of £32.5m (2019: £28.6m).

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.

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 exposure to credit risk in the year has significantly increased due to market uncertainty from COVID-19 however this is being actively managed whilst being supportive to our customers. The Board receives regular reports on amounts due and amounts significantly overdue and the relevant actions being taken.

The impact of national lockdowns and social distancing restrictions imposed around the world has significantly impacted the hospitality and leisure industry however the cost reduction plans undertaken in 2020 are expected to be sufficient in maintaining liquidity and mitigate the risk of non-compliance with the group's financial covenants.

SECTION 172(1) STATEMENT

All directors are aware of and understand their responsibilities under Section 172 (1) of the Companies Act 2006 and consider that they act to promote the success of the company for the benefit of its shareholders. Key decisions that are of strategic importance to the company on a long term basis are appropriately informed by s172 factors and supported by external stakeholders and effective financial planning and analysis.

The company is committed to creating value to meet investor expectations such that the future longevity of the business will be secured. The company recognises that its people play a key part in achieving excellence and is determined to attract new talent whilst ensure that existing team members remain motivated and engaged. In doing so, the management team regularly consult on employee opinion and provide regular business updates to create a shared sense of vision and purpose. The company is committed to diversification and provides equal opportunity regardless of colour, race, nationality, ethnic origin, sex, orientation or marital status.

The company recognises that developing relationships with customers and vendors allows for high standards of quality to be achieved and create success for both parties.

The business has reviewed its environmental policy and has committed to reduced travel itineraries and is supportive of flexible working such that its office presence will be reduced in 2021.

FUTURE DEVELOPMENTS

The Directors are continuously assessing the impact of the pandemic and the progress of the vaccine rollout which is expected to have a direct correlation on the recovery of the hospitality sector. Many customers have already proven to be extremely resilient and have adapted to the situation with takeaway services and outdoor seating which has allowed them to continue trading. However, many have remained closed throughout and therefore full recovery is likely to take several months.

Investment in R&D is still important to ensure that the company can be flexible in meeting the demands of its customers as their requirements are anticipated to change, specifically as they adapt to changes in market demand.

**Strategic Report
for the year ended 31 December 2020**

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:

	Year ended 31.12.2020	16 month period 1.9.2018 to 31.12.2019	Definition, method of calculation and analysis
(Contraction)/growth in sales (%)	(5.3%)	5.1%	Year on year annualised consolidated sales (contraction)/growth expressed as a percentage
Gross margin	64.8%	67.0%	Gross profit expressed as a percentage of turnover

ON BEHALF OF THE BOARD:



.....
J Whitmarsh - Director

25 June 2021

**Directors' Report
for the year ended 31 December 2020**

The directors present their report with the audited financial statements of the company for the year ended 31 December 2020.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2020 nor the 16 month period ended 31 December 2019.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2020 to the date of this report.

C Anderson
C Berthelsen
J Whitmarsh

Other changes in directors holding office are as follows:

J E England - resigned 9 October 2020
S G Bocca - resigned 15 January 2020

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.

CHARITABLE AND POLITICAL DONATIONS

The company made charitable contributions during the period of £484 (2019: £11,412). The company has not made any political donations or incurred any political expenditure during the period.

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

Consumption and emissions from electricity arise from the daily business operations within the offices of the company. In some instances, supplies are procured by the landlord and recharged to the company and an average usage rate has been applied. In other cases, direct meter readings have been used. The company does not have any gas usage.

Energy used through transportation is as a result of a small amount of private vehicle usage. Actual mileage amounts are recorded and converted into kWh.

The company has calculated the following in respect of its carbon reporting:

	<u>Total consumption (kWh)</u>	<u>Total emissions (tCO2e) for energy supply</u>
Electricity	150,101	34,995
Transportation	22,411	6,182
Total	172,512	41,177

The energy intensity ratio for the year is 1.05 tCO2e per £m of turnover.

The company has made efforts to improve their operational energy efficiency and reduce its carbon footprint during recent years. Various measure have been implemented including ensuring that all offices operate on a paperless basis with the majority of invoices and documents stored and received electronically, recycling of any materials received by paper as well as any packaging from employee lunches and delivery of goods. There has also been a considerable effort made to reduce unnecessary travel with a significant emphasis on international journeys.

**Directors' Report
for the year ended 31 December 2020**

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 2022, 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.

PRINCIPAL RISKS AND UNCERTAINTIES

The company has set out the principal risks and uncertainties that it faces including financial risks and the impact of COVID-19, within the Strategic Report on pages 2 and 3.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, Directors' Report and Financial Statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the 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, 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.

DIRECTORS' CONFIRMATIONS

In the case of each director in office at the date the directors' report is approved:

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

INDEPENDENT AUDITORS

The current auditors, PricewaterhouseCoopers LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



.....
J Whitmarsh - Director

25 June 2021

**Independent Auditors' Report to the Members of
Fourth Limited**

Report on the audit of the financial statements

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 2020 and of its profit for the year 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 2020; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

We remained independent of the 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

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.

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 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.

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, 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.

Independent Auditors' Report to the Members of Fourth Limited

Responsibilities for the financial statements and the audit (continued)

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation and regulations which govern the preparation of financial statements, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue, through management bias in manipulation of accounting estimates or accounting for significant transactions outside the normal course of business. . Audit procedures performed by the engagement team included:

- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.
- Reviewing financial statement disclosures and agreeing to supporting documentation to assess compliance with applicable laws and regulations; and
- Review of board meeting minutes.

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

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

Use of this report

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

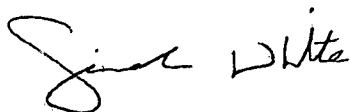
Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the 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
28 June 2021

Fourth Limited (Registered number: 03887115)

Statement of Comprehensive Income
for the year ended 31 December 2020

		Year Ended 31.12.20 £'000	16 month period 1.9.18 to 31.12.19 £'000
	Notes		
TURNOVER	4	39,143	55,095
Cost of sales		<u>(13,769)</u>	<u>(18,179)</u>
GROSS PROFIT		25,374	36,916
Administrative expenses before exceptional items		(23,496)	(41,599)
Exceptional items	8	(1,305)	(3,227)
Administrative expenses		(24,801)	(44,826)
Other operating income	5	<u>3,269</u>	<u>4,173</u>
OPERATING PROFIT/(LOSS)	7	3,842	(3,737)
Interest receivable and similar income	9	216	16
Interest payable and similar expenses	10	<u>(283)</u>	<u>(195)</u>
PROFIT/(LOSS) BEFORE TAXATION		3,775	(3,916)
Tax on profit/(loss)	11	<u>62</u>	<u>308</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR/PERIOD		3,837	(3,608)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR/PERIOD		<u>3,837</u>	<u>(3,608)</u>

The notes on pages 11 to 19 form part of these financial statements

Fourth Limited (Registered number: 03887115)

**Balance Sheet
31 December 2020**

	Notes	31.12.20 £'000	31.12.19 £'000
FIXED ASSETS			
Intangible assets	12	6,366	6,380
Tangible assets	13	381	550
Investments	14	<u>18,369</u>	<u>18,369</u>
		<u>25,116</u>	<u>25,299</u>
CURRENT ASSETS			
Debtors	15	34,015	30,841
Cash at bank and in hand		<u>2,180</u>	<u>2,017</u>
		36,195	32,858
CREDITORS			
Amounts falling due within one year	16	<u>(28,839)</u>	<u>(29,521)</u>
NET CURRENT ASSETS		<u>7,356</u>	<u>3,337</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>32,472</u>	<u>28,636</u>
CAPITAL AND RESERVES			
Called up share capital	20	1,432	1,432
Share premium account		12,207	12,207
Retained earnings		<u>18,833</u>	<u>14,997</u>
TOTAL SHAREHOLDERS' FUNDS		<u>32,472</u>	<u>28,636</u>

The financial statements on pages 8 to 19 were approved by the Board of Directors and authorised for issue on 25 June 2021 and were signed on its behalf by:



.....
J Whitmarsh - Director

Fourth Limited (Registered number: 03887115)

**Statement of Changes in Equity
for the year ended 31 December 2020**

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Total equity £'000
Balance at 1 September 2018	1,345	18,605	3,645	23,595
Changes in equity				
Loss for the period	-	(3,608)	-	(3,608)
Total comprehensive expense	-	(3,608)	-	(3,608)
Issue of share capital	87	-	8,562	8,649
Total transactions with owners, recognised directly in equity	87	-	8,562	8,649
Balance at 31 December 2019	1,432	14,997	12,207	28,636
Changes in equity				
Profit for the year	-	3,837	-	3,837
Total comprehensive income	-	3,837	-	3,837
Balance at 31 December 2020	1,432	18,833	12,207	32,472

The notes on pages 11 to 19 form part of these financial statements

**Notes to the Financial Statements
for the year ended 31 December 2020**

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 the year ended 31 December 2020 with comparatives shown for the 16 month period to 31 December 2019. 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 21. 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. The company has chosen to adopt Section 11 and 12 of FRS 102 in respect of financial instruments as outlined 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 cash flow information for the company and the group, including forecast bank covenant calculations, for the period to 31 December 2022, 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 non-recurring 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.

Notes to the Financial Statements - continued
for the year ended 31 December 2020

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. This is amortised over its expected useful life of five years and reviewed annually for impairment.

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.

Government grants

Government grants relating to costs are deferred and recognised in the profit and loss account over the period necessary to match them with the costs that they are intended to compensate.

Notes to the Financial Statements - continued
for the year ended 31 December 20203. **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 £6,365,000 (2019: £6,379,000).

4. **TURNOVER**

The turnover and profit (2019 - loss) before taxation are attributable to the one principal activity of the company.

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

	Year Ended	16 month period 1.9.18 to 31.12.19
	31.12.20	31.12.19
	£'000	£'000
Product subscription	36,379	50,013
Installation & service	<u>2,764</u>	<u>5,082</u>
	<u>39,143</u>	<u>55,095</u>

An analysis of turnover by geographical market is given below:

	Year Ended	16 month period 1.9.18 to 31.12.19
	31.12.20	31.12.19
	£'000	£'000
United Kingdom	38,137	52,898
United States of America	73	93
Rest of the world	<u>933</u>	<u>2,104</u>
	<u>39,143</u>	<u>55,095</u>

5. **OTHER OPERATING INCOME**

	Year Ended	16 month period 1.9.18 to 31.12.19
	31.12.20	31.12.19
	£'000	£'000
Management charges	2,688	3,710
RDEC tax credit	<u>581</u>	<u>463</u>
	<u>3,269</u>	<u>4,173</u>

6. **EMPLOYEES AND DIRECTORS**

	Year Ended	16 month period 1.9.18 to 31.12.19
	31.12.20	31.12.19
	£'000	£'000
Wages and salaries	14,954	29,044
Social security costs	2,110	3,067
Other pension costs	<u>559</u>	<u>575</u>
	<u>17,623</u>	<u>32,686</u>

The company received £1,170,000 in respect of the Coronavirus Job Retention Scheme during the year.

Notes to the Financial Statements - continued
for the year ended 31 December 2020

6. EMPLOYEES AND DIRECTORS - continued

The monthly average number of employees during the year was as follows:

	Year Ended 31.12.20	16 month period 1.9.18 to 31.12.19
Directors and management	9	14
Administrative	<u>343</u>	<u>387</u>
	<u>352</u>	<u>401</u>

	Year Ended 31.12.20	16 month period 1.9.18 to 31.12.19
Directors' remuneration	£ 398,000	£ 2,912,000
Directors' pension contributions to money purchase schemes	<u>4,000</u>	<u>25,000</u>

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

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

	Year Ended 31.12.20	16 month period 1.9.18 to 31.12.19
Salaries and other short-term benefits	£ 270,000	£ 868,000
Pension contributions to money purchase schemes	<u>2,000</u>	<u>6,000</u>

7. OPERATING PROFIT/(LOSS)

The operating profit (2019: operating loss) is stated after charging/(crediting):

	Year Ended 31.12.20	16 month period 1.9.18 to 31.12.19
Depreciation and amortisation written off tangible and intangible fixed assets	£'000 3,096	£'000 4,381
Operating lease rentals – buildings	678	967
Exceptional items	1,305	3,227
Management recharges	(6,148)	(3,710)
RDEC tax credit	(581)	(463)
Auditors' fees for the audit of the financial statements	116	144
Auditors' fees for non-audit services	<u>124</u>	<u>326</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2020

8. EXCEPTIONAL ITEMS

	Year Ended	16 month period 1.9.18 to 31.12.19
	31.12.20	31.12.19
	£'000	£'000
Exceptional items	<u>1,305</u>	<u>3,227</u>

During the year, the company incurred £1,437,000 in relation to redundancy costs as a result of a global initiative in response to COVID-19. A provision for £132,000 was also released relating to the senior management and director remuneration from the prior period.

During the 16 month period to 31 December 2019, 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.

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended	16 month period 1.9.18 to 31.12.19
	31.12.20	31.12.19
	£'000	£'000
Intercompany loan interest	216	-
External loan interest	<u>-</u>	<u>16</u>
	<u>216</u>	<u>16</u>

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year Ended	16 month period 1.9.18 to 31.12.19
	31.12.20	31.12.19
	£'000	£'000
Other interest	15	-
Intercompany loan interest	<u>268</u>	<u>195</u>
	<u>283</u>	<u>195</u>

11. TAX ON PROFIT/(LOSS)

Analysis of the tax credit

The tax credit on the profit/(loss) for the year was as follows:

	Year Ended	16 month period 1.9.18 to 31.12.19
	31.12.20	31.12.19
	£'000	£'000
Deferred tax:		
Origination and reversal of timing differences	(70)	(294)
Change in tax rate	36	(1)
Adjustment in respect of previous periods	<u>(28)</u>	<u>(13)</u>
Total deferred tax	<u>(62)</u>	<u>(308)</u>
Tax on profit/(loss)	<u>(62)</u>	<u>(308)</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2020

11. TAX ON PROFIT/(LOSS) - continued

Reconciliation of total tax credit included in profit and loss

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

	Year Ended 31.12.20 £'000	16 month period 1.9.18 to 31.12.19 £'000
Profit/(loss) before tax	<u>3,775</u>	<u>(3,916)</u>
Profit/(loss) before tax multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	717	(744)
Effects of:		
Expenses not deductible for tax purposes	(11)	335
Income not taxable for tax purposes	-	(3)
Overprovided in prior years	(61)	(13)
Change in tax rate	36	(1)
Group relief claimed	(454)	-
Deferred tax not recognised on losses carried forward	(194)	228
Notional tax withheld	<u>(95)</u>	<u>(110)</u>
Total tax credit	<u>(62)</u>	<u>(308)</u>

The company has an unrecognised deferred tax asset of £Nil (2019: £228,000) 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 UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. In March 2021, the UK Government announced that the corporation tax rate would increase to 25% in 2023, as this change in rate has not enacted it has not been reflected in the deferred tax rates as at the balance sheet date.

12. INTANGIBLE ASSETS

	Other intangible assets £'000	Development costs £'000	Totals £'000
COST			
At 1 January 2020	63	25,858	25,921
Additions	<u>-</u>	<u>2,801</u>	<u>2,801</u>
At 31 December 2020	<u>63</u>	<u>28,659</u>	<u>28,722</u>
ACCUMULATED AMORTISATION			
At 1 January 2020	62	19,479	19,541
Amortisation for year	<u>-</u>	<u>2,815</u>	<u>2,815</u>
At 31 December 2020	<u>62</u>	<u>22,294</u>	<u>22,356</u>
NET BOOK VALUE			
At 31 December 2020	<u>1</u>	<u>6,365</u>	<u>6,366</u>
At 31 December 2019	<u>1</u>	<u>6,379</u>	<u>6,380</u>

Fourth Limited (Registered number: 03887115)

**Notes to the Financial Statements - continued
for the year ended 31 December 2020**

13. TANGIBLE ASSETS

	Fixtures and fittings £'000	Computer equipment £'000	Totals £'000
COST			
At 1 January 2020	753	2,983	3,736
Additions	-	112	112
At 31 December 2020	<u>753</u>	<u>3,095</u>	<u>3,848</u>
ACCUMULATED DEPRECIATION			
At 1 January 2020	646	2,540	3,186
Charge for year	<u>66</u>	<u>215</u>	<u>281</u>
At 31 December 2020	<u>712</u>	<u>2,755</u>	<u>3,467</u>
NET BOOK VALUE			
At 31 December 2020	<u>41</u>	<u>340</u>	<u>381</u>
At 31 December 2019	<u>107</u>	<u>443</u>	<u>550</u>

14. INVESTMENTS

	Shares in group undertakings £'000
COST	
At 1 January 2020 and 31 December 2020	<u>18,369</u>
NET BOOK VALUE	
At 31 December 2020	<u>18,369</u>
At 31 December 2019	<u>18,369</u>

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

Subsidiary undertaking	Registered office address	Country of incorporation	Principle activity	Class and percentage of shares held
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 #2016, Churchill Tower, Business Bay, Dubai, U.A.E.

Note 5 - Forum St Paul's, 33 Gutter Lane, Second Floor, London, England, EC2V 8AS

Notes to the Financial Statements - continued
for the year ended 31 December 2020

15. DEBTORS

	31.12.20	31.12.19
	£'000	£'000
Trade debtors	3,487	2,871
Amounts owed by group undertakings	27,930	25,067
Other debtors	14	70
Corporation tax	992	744
Deferred tax asset	205	143
Prepayments and accrued income	<u>1,387</u>	<u>1,946</u>
	<u>34,015</u>	<u>30,841</u>

Deferred tax asset

	31.12.20	31.12.19
	£'000	£'000
Accelerated capital allowances	(369)	(319)
Notional tax withheld	6	17
Research and development expenditure credit – step 2 amounts carried forward	<u>568</u>	<u>445</u>
	<u>205</u>	<u>143</u>

Amounts owed from group undertakings are repayable on demand. Interest is charged at 6% on £4,992,000 of this balance.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.20	31.12.19
	£'000	£'000
Trade creditors	1,891	1,512
Amounts owed to group undertakings	20,378	20,740
Taxation and social security	2,953	928
Other creditors	72	1,919
Accruals & deferred income	<u>3,545</u>	<u>4,422</u>
	<u>28,839</u>	<u>29,521</u>

Amounts owed to group undertakings are unsecured, have no fixed date of redemption and are repayable on demand. Interest is charged at 6% on £4,147,000 of this balance.

17. LEASING AGREEMENTS

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

	31.12.20	31.12.19
	£'000	£'000
Within one year	414	606
Between one and five years	949	1,087
In more than five years	<u>248</u>	<u>248</u>
	<u>1,611</u>	<u>1,941</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.

Fourth Limited (Registered number: 03887115)

**Notes to the Financial Statements - continued
for the year ended 31 December 2020**

19. DEFERRED TAX

	£'000
Balance at 1 January 2020	(143)
Credit to Statement of Comprehensive Income during year	(70)
Adjustment to prior years	(28)
Change in rates	<u>36</u>
Balance at 31 December 2020	<u>(205)</u>

20. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.12.20	31.12.19
			£'000	£'000
143,216,299	Ordinary	£0.01	<u>1,432</u>	<u>1,432</u>

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

21. ULTIMATE PARENT COMPANY

The immediate parent company is Fourth Holdings Limited, a company registered in the United Kingdom, whose registered office is Forum St Paul's, 33 Gutter Lane, Second Floor, London, England, EC2V 8AS.

The ultimate parent company is 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, whose registered offices are 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 in HS4 Topco LLC.

22. RELATED PARTY DISCLOSURES

During the period, the company advanced cash of £270,000 (2019: £402,000) to Fourth Software Trading LLC, a fellow group company. Professional services invoices were received in the year amounting to £272,000. At the Balance Sheet date, £792,000 (2019: £856,000) was owed to the company after charging interest at 6% of £46,000.

23. PENSION SCHEME

The company contributes to six personal pension schemes and two 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 £559,000 (2019: £575,000).