

Medius Software Limited

Annual Report and Financial Statements

Year Ended

31 December 2021

Company Number 04220636



Medius Software Limited

Company Information

Directors	P A Ellis K L-G Von Bismarck-Schönhausen A Fohlin
Registered number	04220636
Registered office	Grafton House Grafton Street Hyde Cheshire SK14 2AX
Independent auditor	BDO LLP 3 Hardman Street Manchester M3 3AT

Medius Software Limited

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Medius Software Limited

Strategic Report For the Year Ended 31 December 2021

Introduction

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2021.

Principal activity and business model

The principal activity of the company is the development and sale of procurement software as a service.

Business review

The company continues to increase its recurring revenue with new deals on multi-year subscription contracts. The impact in the accounts is a more predictable level of revenue which is now spread over the term of the contracts. This recognition is in line with applicable accounting standards.

During the year the company continued to invest in both direct sales and partner relationships in the UK and US with additional product investment to support this drive. There has been a 6% growth in revenue compared with 2020 as a result of organic growth driven by new contract signings, in addition Adjusted EBITDA has grown by 19% in 2021 compared with 2020.

Going concern

COVID-19 became an area of focus in March 2020, when actions were taken to protect employees by developing company protocols for social distancing, working at home, travel to and from affected areas and ensuring self-isolation where appropriate. Since then all office based staff had been relocated to working from home and additional safety measures have been put in place. During this year best practice continued as we started to come out of the pandemic, based on medical and governmental guidance and protocols which allowed the business to continue its activities to the fullest extent possible.

The board are actively monitoring the situation to ensure the business can manage through any impacts that it may face as a result of the pandemic. The company has to date seen no noticeable impact on the recurring subscriptions business with demand for services and cash collections also strong. Further, the customer pipeline and forecast for planned growth of the business in 2022 remains positive.

The directors have reviewed various potential downside scenarios and their likely impact on the business for the period of twelve months following signing of the financial statements. For planning purposes, the company frequently updates its view on likely subscriptions and services revenue, cost base and planned development expenditure. Importantly these realistic scenarios provide good headroom against the COVID-19 worst case scenario. At the time of writing this report the company is trading ahead of the most severe forecasts at both the sales and profit level and has been cash generative throughout the pandemic to date. Nevertheless there still remains a risk that the impact of COVID-19 could be more significant than presented in the company's severe case. In the event that there is a more significant downturn, there are mitigating actions that could be enacted, these could include but are not limited to reductions in development expenditure, business expenditure and overheads.

The board is satisfied it has sufficient cash resources to meet its obligations as they fall due throughout this duration and the board has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Medius Software Limited

Strategic Report (continued) For the Year Ended 31 December 2021

Principal risks and uncertainties

Business Risks

Service Risk

The company relies on hosting service provision from third party providers to deliver its software products. A significant amount of down time would affect service levels and could result in financial penalties and the possibility of existing clients not renewing their licences. The company ensures that such third parties have effective and efficient back up and disaster recovery procedures in place.

Financial Risk

Credit Risk

Credit risk is the risk the business is not paid for the work it completes for clients. The company's policy is that all customers who wish to trade on credit terms are subject to credit verification procedures. The company only offers credit terms to creditworthy parties. In addition, receivable balances are monitored on an ongoing basis with the results that the company's history of bad debt losses is minimal.

Market Risk

Market risk is the risk Medius Software Limited's product set becomes uncompetitive. The market for procurement software is competitive. To mitigate this risk, management work hard to build strong customer relationships and continue to develop the company's product offering.

Russia war

On February 16, 2022, Russia invaded Ukraine. This resulted in a number of economic sanctions being imposed on Russia. The Company continues to follow the changing situation closely and shares the world's concern with the events and humanitarian crisis unfolding in Ukraine and the surrounding area.

Although the Company operates in the development and sale of procurement software, it has no exposure in Russia. In the year ended 31 December 2021 the company generated zero of its revenue from Russia, Belarus and Ukraine, and had no exposure to debtors with any customer of these countries.

For 2022, no revenues are budgeted from Russia, Belarus and Ukraine. Management therefore do not expect a significant impact from this conflict and the resulting sanctions but will continue to monitor the impact of the crisis on the global economy and supply chains.

Medius Software Limited

Strategic Report (continued) For the Year Ended 31 December 2021

Financial key performance indicators

The company continued to invest in both direct sales and relationships in the UK and US, with further product investment to support this drive. This investment has supported strong growth throughout 2021. There has been a 6% growth in revenue compared with 2020 as a result of organic growth driven by new contract signings, in addition Adjusted EBITDA has grown by 19% in 2021 compared with 2020.

	2021 £	2020 £
Revenue	10,733,159	10,168,609
Profit before taxation	1,598,504	1,216,610
Adjusted EBITDA*	2,301,606	1,933,952

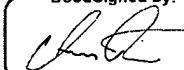
* Adjusted EBITDA is calculated as follows:

	2021 £	2020 £
Operating profit	1,610,224	1,230,875
Depreciation on tangible assets	143,524	160,920
Amortisation on intangible assets	547,858	542,157
	2,301,606	1,933,952

This report was approved by the board on 9/21/2022

and signed on its behalf.

DocuSigned by:



A Fohlin
Director

Medius Software Limited

Directors' Report For the Year Ended 31 December 2021

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

Results and dividends

The profit for the year, after taxation, amounted to £1,529,150 (2020 - £985,715).

The company has no external debt including loan notes.

The directors do not recommend payment of a dividend for the year (2020 - £Nil).

Directors

The directors who served during the year were:

P A Ellis
K L-G Von Bismarck-Schönhausen
A Fohlin

Future developments

The company continues to invest in strategic partnerships to open up new geographic markets and new market sectors. This will secure growth in the medium and long term.

Research and development activities

We have continued to invest in our market-leading procurement software by developing new market-leading functionality which enhances our platform and maintains our product leadership.

Engagement with employees

The company values highly the opinion and welfare of its employees, and regular meetings are held to permit senior managers to engage with elected representatives of all areas of the business. This provides a valuable means of two-way communication between management and employees. The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Qualifying third party indemnity provisions

The company has put in place qualifying third party indemnity provisions for all of the directors in the company. This was in force at the date of approval of this report.

Matters covered in the strategic report

Disclosures required under S416(4) of the Companies Act 2006 are commented upon in the strategic report as the directors consider them to be of strategic importance to the company.

Medius Software Limited

Directors' Report (continued) For the Year Ended 31 December 2021

Disclosure of information to auditor

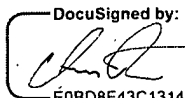
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

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

This report was approved by the board on 9/21/2022 and signed on its behalf.

DocuSigned by:

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A Fohlin
Director

Medius Software Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2021

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the directors are required to:

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

Medius Software Limited

Independent Auditor's Report to the Members of Medius Software Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Medius Software Limited ("the Company") for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Medius Software Limited

Independent Auditor's Report to the Members of Medius Software Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

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

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

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

Responsibilities of Directors

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

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

Medius Software Limited

Independent Auditor's Report to the Members of Medius Software Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

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

Based on our understanding and accumulated knowledge of the Company and the sector in which it operates we considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements. These included but were not limited to those that relate to the form and content of the financial statements, such as the Company accounting policies, United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice) and the UK Companies Act 2006; those that relate to the payment of employees; and industry related such as compliance with health and safety legislation. All team members were briefed to ensure they were aware of any relevant regulations in relation to their work.

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 and management bias in accounting estimates as well as inappropriate revenue cut-off. Our audit procedures included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to provisions for bad debt, accrued/deferred income and the carrying value of intangible assets including associated amortisation;
- Identifying and testing journal entries, in particular any journal entries posted with specific keywords and manual journals to revenue;
- Testing a sample of revenue recognised either side of the period end to ensure revenue has been recognised in the correct period;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud; and
- Review of minutes of Board meetings throughout the period.

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

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

Medius Software Limited

Independent Auditor's Report to the Members of Medius Software Limited (continued)

Use of our report

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

DocuSigned by:

Julien Rye

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Julien Rye (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
United Kingdom

Date: 21 September 2022

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

Medius Software Limited

Statement of Comprehensive Income For the Year Ended 31 December 2021

		2021 £	2020 £
	Note		
Turnover	4	10,733,159	10,168,609
Cost of sales		(1,486,503)	(947,345)
Gross profit		9,246,656	9,221,264
Administrative expenses		(7,674,297)	(8,067,765)
Other operating income	5	37,865	77,376
Operating profit	6	1,610,224	1,230,875
Interest payable and similar expenses	10	(11,720)	(14,265)
Profit before tax		1,598,504	1,216,610
Tax on profit	11	(69,354)	(230,895)
Profit for the financial year		1,529,150	985,715

There was no other comprehensive income for 2021 (2020 - £Nil).

The notes on pages 14 to 31 form part of these financial statements.

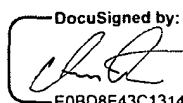
Medius Software Limited

Registered number: 04220636

**Balance Sheet
As at 31 December 2021**

	Note	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Intangible assets	12		1,126,925		1,674,783
Tangible assets	13		81,568		218,622
			<u>1,208,493</u>		<u>1,893,405</u>
Current assets					
Debtors: amounts falling due within one year	14	9,405,055		7,630,459	
Cash at bank and in hand		612,786		1,149,248	
		<u>10,017,841</u>		<u>8,779,707</u>	
Creditors: amounts falling due within one year	15	(4,530,989)		(5,531,953)	
			<u>5,486,852</u>		<u>3,247,754</u>
Net current assets					
Creditors: amounts falling due after more than one year	17				(44,318)
Provisions for liabilities					
Deferred tax	18	(287,291)		(217,937)	
			<u>(287,291)</u>		<u>(217,937)</u>
Net assets					
			<u>6,408,054</u>		<u>4,878,904</u>
Capital and reserves					
Called up share capital	19		329,322		329,322
Share premium account	20		170,902		170,902
Profit and loss account	20		5,907,830		4,378,680
Total equity					
			<u>6,408,054</u>		<u>4,878,904</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 9/21/2022

DocuSigned by:

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A Fohlin
 Director

The notes on pages 14 to 31 form part of these financial statements.

Medius Software Limited

Statement of Changes in Equity For the Year Ended 31 December 2021

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2021	329,322	170,902	4,378,680	4,878,904
Comprehensive income for the year				
Profit for the year	-	-	1,529,150	1,529,150
Total comprehensive income for the year	-	-	1,529,150	1,529,150
At 31 December 2021	329,322	170,902	5,907,830	6,408,054

Statement of Changes in Equity For the Year Ended 31 December 2020

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2020	329,322	170,902	3,392,965	3,893,189
Comprehensive income for the year				
Profit for the year	-	-	985,715	985,715
Total comprehensive income for the year	-	-	985,715	985,715
At 31 December 2020	329,322	170,902	4,378,680	4,878,904

The notes on pages 14 to 31 form part of these financial statements.

Medius Software Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

1. General information

Medius Software Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activity are set out in the Strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements and Financial Reporting Standard 101 Reduced Disclosure Framework. The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the periods presented, unless otherwise stated.

The financial statements have been prepared on a historical cost basis, except for the revaluation of certain properties and financial instruments.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the company's capital;
- a statement of cash flows;
- certain disclosures regarding the company's revenue from contracts with customers;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by Mefla 1AB.

In addition, and in accordance with FRS 101, further exemptions have been adopted because equivalent disclosures are included in the consolidation financial statements of Mefla 1 AB.

These financial statements do not include certain disclosures in respect of:

- share-based payments; and
- financial statements.

The financial statements of Mefla 1 AB can be obtained from Mefla AB, Bolagsverket 851, 81 Sundsvall, Sweden.

Medius Software Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.3 Impact of new international reporting standards, amendments and interpretations

The accounting policies adopted are consistent with those of the previous financial year. New standards, amendments and interpretations which came into force during the year did not have a significant impact on the financial statements.

2.4 Going concern

COVID-19 became an area of focus in March 2020, when actions were taken to protect employees by developing company protocols for social distancing, working at home, travel to and from affected areas and ensuring self-isolation where appropriate. Since then all office based staff had been relocated to working from home and additional safety measures have been put in place. During this year best practice continued as we started to come out of the pandemic, based on medical and governmental guidance and protocols which allowed the business to continue its activities to the fullest extent possible.

The board are actively monitoring the situation to ensure the business can manage through any impacts that it may face as a result of the pandemic. The company has to date seen no noticeable impact on the recurring subscriptions business with demand for services and cash collections also strong. Further, the customer pipeline and forecast for planned growth of the business in 2022 remains positive.

The directors have reviewed various potential downside scenarios and their likely impact on the business for the period of twelve months following signing of the financial statements. For planning purposes, the company frequently updates its view on likely subscriptions and services revenue, cost base and planned development expenditure. Importantly these realistic scenarios provide good headroom against the COVID-19 worst case scenario. At the time of writing this report the company is trading ahead of the most severe forecasts at both the sales and profit level and has been cash generative throughout the pandemic to date. Nevertheless there still remains a risk that the impact of COVID-19 could be more significant than presented in the company's severe case. In the event that there is a more significant downturn, there are mitigating actions that could be enacted, these could include but are not limited to reductions in development expenditure, business expenditure and overheads.

The board is satisfied it has sufficient cash resources to meet its obligations as they fall due throughout this duration and the board has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Medius Software Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.5 Revenue

Revenue is calculated net of value added tax and represents the total amount receivable in respect of the provision of software as a service on a subscription basis, the sale of software licences, customised software and fees derived from installation, consultancy, training, maintenance, support and hosting.

Income from the sale of software is recognised from the provision of Software as a Service and the sale of software hosted and controlled by customers. The term of the contracts varies between one and seven years, with the average around three years. The main products are Purchase-to-Pay and Source-to-Contract solutions.

Where software is provided as a service and hosted centrally, under contracts with extended terms, this is recognised as a combined service evenly over the period to which it relates, as this best reflects the transfer of benefits to the customer over time. Most customers are invoiced annually in advance and income is recognised from the commencement date of the contract as this is the point the transfer of benefits begins. This is usually the date a new contract is signed.

Sale of software hosted and controlled by customers is recognised on completion of contractual performance which in the majority of cases arises on provision of the licence to the customer shortly after the contract has been signed.

Customisations, installation consultancy and training are recognised on performance and are invoiced in line with the payment milestones in the contract, whilst income from maintenance, support and hosting is recognised over the period to which it relates and usually invoiced in advance.

2.6 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.7 Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the statement of comprehensive income.

2.8 Research and development

Development costs are charged to the statement of comprehensive income in the year of expenditure, unless individual projects satisfy all of the following criteria:

- the project is clearly defined and related expenditure is separately identifiable;
- the project is technically feasible and commercially viable;
- current and future costs are expected to be exceeded by future sales; and
- adequate resources exist for the project to be completed.

In such circumstances the costs are carried forward as intangible assets and amortised over a period not exceeding five years commencing in the year the company starts to benefit from the expenditure.

Medius Software Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.9 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Amortisation is provided on the following bases:

Development expenditure	-	20 %
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Amortisation is charged to the statement of comprehensive income.

2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the following methods.

Depreciation is provided on the following basis:

Fixtures and fittings	-	33.3% straight line per annum
Computer equipment	-	33.3% straight line per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Medius Software Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.13 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Financial instruments

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Debt instruments at amortised cost

Debt instruments are subsequently measured at amortised cost where they are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortised cost is calculated using the effective interest method and represents the amount measured at initial recognition less repayments of principal plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment of financial assets

The company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Medius Software Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.14 Financial instruments (continued)

Financial liabilities

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

2.15 Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value asset; and
- Leases with a duration of 12 months or less

Lease liabilities are measured at the present value of contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index rate. In such cases, the initial measurement of these lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining terms of the lease.

When the company revises its estimate of the term of any lease (because for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discounted rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in the statement of comprehensive income.

Medius Software Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.16 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Medius Software Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

3. Critical accounting estimates and judgements

The company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Judgements - Revenue recognition

- All the company's contracts are assessed on an individual basis and a single contract for our customer consists mainly of two distinct performance obligations: the provision of software and the service days needed to customise the software to the customer's needs in a hosted environment. The provision of software involves ensuring the customer has access to the software, receives necessary updates/upgrades where contractually entitled and providing ongoing support for user issues. The main judgement in whether Medius Software Limited retains control of the software or the customer has control of the software.

If Medius Software Limited has control of software and it is a combined service of software and hosting, then the performance obligation of allowing access to software as a service is satisfied evenly over the contract term and the revenue is recognised on the same basis.

In a small number of contracts, specifically partner contracts, the partner or customer has the rights to control and host the software. In these instances, the transfer of control is assumed to be at the point of software being provided to the partner or customer and the remaining performance obligation for Medius Software Limited is the ongoing support of each service. For these contracts a 70:30 split is used, being the best estimate of the stand-alone selling price or estimate thereof, where 70% is recognised on transfer of control of the software and 30% over the contract term for support services.

Service days for Customisations are assumed to be single projects and hence accounted for as one performance obligation. The transaction price for these projects is calculated by dividing the selling price by total number of days used for the work to be completed.

Estimates and assumptions

Capitalised development expenditure and subsequent amortisation period

- Where such expenditure meets the relevant criteria the company is required to capitalise development expenditure. In order to assess whether the criteria are met, the Board is required to make estimates in relation to likely income generation, the financial and technical viability of the relevant development projects and the period over which the company is likely to benefit from such expenditure.

Impairment of intangibles

- The company is required to determine whether there are indicators of impairment of its tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and, where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Medius Software Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

4. Turnover

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	7,972,510	7,497,626
Rest of Europe	1,510,832	1,547,131
Rest of the world	1,249,817	1,123,852
	<u>10,733,159</u>	<u>10,168,609</u>

Turnover is wholly attributable to the principal activity of the company as detailed in the strategic report.

5. Other operating income

	2021 £	2020 £
R&D tax credit refund	75,297	64,975
Profit on disposal of tangible assets	9,278	4,002
Foreign exchange difference - (loss)/gain	(46,710)	8,399
	<u>37,865</u>	<u>77,376</u>

6. Operating profit

The operating profit is stated after charging:

	2021 £	2020 £
Depreciation of tangible fixed assets	143,524	160,920
Amortisation of intangible assets	547,858	542,157
Defined contribution pension cost	175,347	155,570

Medius Software Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

7. Auditor's remuneration

The company paid the following amounts to its auditor in respect of the audit of the financial statements and for other services provided to the company:

	2021 £	2020 £
Fees for the audit of the company	36,700	38,200
Fees for tax compliance	13,740	10,025
Fees for other services	3,300	1,620
	<u>53,740</u>	<u>49,845</u>

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2021 £	2020 £
Wages and salaries	5,314,885	4,567,939
Social security costs	466,473	473,651
Cost of defined contribution scheme	175,347	155,570
	<u>5,956,705</u>	<u>5,197,160</u>

The average monthly number of employees, including directors, during the year was 103 (2020 - 98).

9. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	144,053	149,613
Company contributions to defined contribution pension schemes	27,413	27,413
	<u>171,466</u>	<u>177,026</u>

During the year retirement benefits were accruing to 1 directors (2020 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £144,053 (2020 - £149,613).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £27,413 (2020 - £27,413).

Medius Software Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

10. Interest payable and similar charges

	2021 £	2020 £
Bank interest payable	3,186	8,992
Finance leases and hire purchase contracts	8,534	5,273
	<u>11,720</u>	<u>14,265</u>

11. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	583	234,592
Effect of tax rate change on opening balance	68,810	(1,753)
Adjustments in respect of prior periods	(39)	(1,944)
Total deferred tax	<u>69,354</u>	<u>230,895</u>
Taxation on profit	<u>69,354</u>	<u>230,895</u>

Medius Software Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit before tax	1,598,504	1,216,610
Profit multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	303,716	231,156
Effects of:		
Fixed asset timing differences	998	1,421
Expenses not deductible for tax purposes	215	-
R&D expenditure (charges)/credits	(14,306)	5,317
Group relief (claimed)/surrendered	(288,828)	-
Adjustments to tax charge in respect of prior periods - deferred tax	(39)	(1,944)
Remeasurement of deferred tax for changes in tax rates	68,950	(1,753)
Other differences	(1,352)	(3,302)
Total tax charge for the year	69,354	230,895

Factors that may affect future tax charges

An increase in the future main corporation tax rate to 25% from 1 April 2023, from the previously enacted 19%, was announced in the budget on 3 March 2021, and substantively enacted on 24 May 2021. This will affect the calculation of future deferred tax charges. The deferred tax asset at 31 December 2021 has been calculated based on the rates of tax substantively enacted at the date of the balance sheet.

Medius Software Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

12. Intangible assets

	Development costs £
Cost	
At 1 January 2021	5,058,593
At 31 December 2021	5,058,593
Amortisation	
At 1 January 2021	3,383,810
Charge for the year	547,858
At 31 December 2021	3,931,668
Net book value	
At 31 December 2021	1,126,925
At 31 December 2020	1,674,783

Medius Software Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

13. Tangible fixed assets

	Fixtures and fittings £	Computer equipment £	Right of use assets £	Total £
Cost				
At 1 January 2021	71,122	796,305	260,064	1,127,491
Additions	-	6,470	-	6,470
At 31 December 2021	71,122	802,775	260,064	1,133,961
Depreciation				
At 1 January 2021	71,122	708,164	129,583	908,869
Charge for the year	-	57,435	86,089	143,524
At 31 December 2021	71,122	765,599	215,672	1,052,393
Net book value				
At 31 December 2021	-	37,176	44,392	81,568
At 31 December 2020	-	88,141	130,481	218,622

14. Debtors: amounts falling due within one year

	2021 £	2020 £
Trade debtors	2,464,987	1,936,741
Amounts owed by group undertakings	5,842,952	4,170,945
Corporation tax receivable	126,451	140,272
Prepayments and accrued income	970,665	1,382,501
	9,405,055	7,630,459

Amounts owed by group undertakings are interest free and repayable on demand.

An impairment loss of £19,688 has been recognised on trade debtors during the year (2020 - £Nil).

Medius Software Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

15. Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	215,349	112,741
Amounts owed to group undertakings	837,954	1,785,389
Other taxation and social security	548,283	705,987
Lease liabilities	44,318	93,183
Accruals and deferred income	2,885,085	2,834,653
	<u>4,530,989</u>	<u>5,531,953</u>

The amounts owed to group undertakings are interest-free and repayable on demand.

16. Contract balances

Included within trade and other debtors and trade and other creditors are the following contract assets and contract liabilities:

	Contract assets 2021 £	Contract assets 2020 £	Contract liabilities 2021 £	Contract liabilities 2020 (restated*) £
At beginning of year	1,205,282	330,868	(2,437,001)	(2,268,400)
Transfers in the year from contract assets to trade receivables	(1,205,282)	(330,868)	-	-
Amounts included in contract liabilities that were recognised as revenue in the year	-	-	2,437,001	2,268,400
Excess of revenue recognised over cash (or rights to cash) being recognised during the year	774,686	1,205,282	-	-
Cash received (or rights to cash) in advance of performance and not recognised as revenue during the year	-	-	(2,427,764)	(2,437,001)
At end of year	<u>774,686</u>	<u>1,205,282</u>	<u>(2,427,764)</u>	<u>(2,437,001)</u>

* Cash received (or rights to cash) in advance of performance and not recognised as revenue during the year ended 31 December 2020 has been restated with a corresponding decrease to contract liabilities for the year then ended by £902,388. The impact is limited to the disclosure within note 16 to the financial statements. There is no impact to the statement of comprehensive income or balance sheet for the year ended 31 December 2020.

Medius Software Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

17. Creditors: amounts falling due after more than one year

	2021 £	2020 £
Lease liabilities	-	44,318

The following liabilities were secured:

	2021 £	2020 £
< 1 year	44,318	93,183
1-2 years	-	44,318
	44,318	137,501

18. Deferred taxation

Details of the deferred tax liability, amounts recognised in the statement of comprehensive income and amounts recognised in other comprehensive income are as follows:

	2021 £
At beginning of year	217,937
Charged to profit or loss	69,354
At end of year	287,291

The deferred taxation balance is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	288,738	331,615
Tax losses carried forward and other deductions	-	(111,477)
Short term timing differences	(1,447)	(2,201)
	287,291	217,937

Medius Software Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

19. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
317,952 ordinary shares of £1.000 each	317,952	317,952
10,143 ordinary A shares of £1.000 each	10,143	10,143
1,200 ordinary C shares of £1.000 each	1,200	1,200
27,098 ordinary B shares of £0.001 each	27	27
	<u>329,322</u>	<u>329,322</u>

All shares rank pari passu.

20. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

21. Pension commitments

The company operates a defined contribution pension scheme. The amount recognised in the statement of comprehensive income as an expense in relation to the defined contribution scheme was £175,347 (2020 - £155,570). There were amounts outstanding at the year end totalling £Nil (2020 - £Nil).

22. Related party transactions

The company has taken advantage of the exemption in FRS 101 not to disclose transactions with wholly owned subsidiaries within the group.

There have been no other related party transactions.

Medius Software Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

23. Controlling party

The company's immediate parent company is Hive Bidco Limited, a company registered in England and Wales whose registered address is Grafton House, Grafton Street, Hyde, Cheshire, SK14 2AX.

The largest and smallest group in which the company's results are consolidated is that headed by Mefla 1 AB, who is also the ultimate parent company. Mefla 1 AB is a company registered in Sweden whose registered address is Medius AB, Bolagsverket 851, 81 Sundsvall, Sweden.

Copies of the consolidated financial statements of Mefla 1 AB are available to the public and may be obtained from Medius AB, Bolagsverket 851, 81 Sundsvall, Sweden.