Zest Technology Limited

Strategic report, Directors' report and financial statements

Registered number 05104223

31 December 2020

Contents

Company information

Directors	RA Sieber NH Dean EC Reynolds
Registered office	Leatherhead House Station Road Leatherhead Surrey KT22 7FG
Registered number	05104223 (England and Wales)
Auditor	KPMG LLP 15 Canada Square London England E14 5GL
Banker	Barclays Bank plc 82 High Street Epsom KT19 8BH

Strategic report

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

PRINCIPAL ACTIVITIES

The principal activity of the Company in the year under review was the provision of employee benefits and engagement technology to customers and partners in the UK and overseas.

As at the year end, the company was a subsidiary of Fintel plc. On 21 July 2021, the company was sold by the Fintel plc group to FPE Capital LLP and the existing Zest Technology Limited management team.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

In the accounts to 31 December 2019 we stated that in 2020 we would continue to invest in our technology and our services to continue to lead the field and provide exceptional value, as well as continuing to expand our software to appeal to an increasing range of clients and partners, offering them a unique and powerful solution to effective employee engagement.

In line with this objective, 34% of revenue was reinvested into software development and the creation of further groundbreaking functionality including the addition of a further 4 new modules focussing specifically on employee engagement and connecting companies with their employees in powerful and unique ways. In 2021 we intend to extend this further to address the growing need for organisations to connect with and engage remote workforces.

In 2019 we reported that we had invested in our global technology and I am delighted to report that, as a result, in 2020 we signed up our first global licensee partner operating across South East Asia. Since then we have developed further functionality to enable us to address the unique approach to employee benefits in that region, launching a further major module at the end of 2020. In 2021 and beyond we intend to build further on this global position.

Our financial strategy is to build up our long-term, predictable recurring licence revenue stream which includes completing the move away from a supplier of lower margin bespoke software services to a best of breed SaaS cloud software provider based on the Zest platform, in order to deliver sustainable, profitable revenue growth. In 2020 we grew net revenues by 11%, with underlying recurring revenue for Zest growing by 23%, demonstrating we are firmly on course with this strategy.

Our multi-channel distribution strategy is fundamental to building up this licence revenue stream. In this context I am pleased to announce the award of three further major licensee contracts with Honan, Bartlett Wealth and Assured Futures. With the Zest brand becoming widely recognised as standing for ground breaking, modern, technology excellence, our direct sales to companies looking for a best of breed platform have also shown excellent year on year unit growth of 200% with major companies such as Travis Perkins selecting Zest in 2020. In total over 71companies made Zest their platform of choice in 2020 and we confidently expect this number to keep increasing year on year.

I am also delighted to report that all these advances led to a further industry recognition in 2020, with the award for Best Technology at The Rewards, building on our 2019 WSB award for the Best Use of Technology for Benefits.

We will continue to invest in our technology in 2021 and in developing our distribution network and white label partners. By continuing our strategy of focussing on maintaining our reputation as the leading, state of the art software platform provider, we can deliver the ideal proposition for each channel to the workplace market and provide a highly effective employee engagement solution to a wide range of companies ranging from FTSE 100 organisations through to SMEs.

For our value-added resellers across leading corporate advisers, employee benefit consultants, product providers and other financial services groups, we will continue to provide them with a ground-breaking software platform that enables them to offer a total solution to the employee benefits workplace market based on the best technology.

For our direct clients, we have continued to achieve major direct sales where organisations are seeking best of breed technology solutions. Zest's increasing reputation for being able to quickly and easily deal with any benefits program, however complex and to work on any device, anywhere, allows our clients to deliver their desired employee benefits and engagement experience without compromise and to engage with the increasing requirement of remote working and a distributed workforce.

We are moving into a period of exceptional growth in the employee benefits and engagement market, driven by the increasing realisation that flexible employee benefits, delivered via engaging, modern technology, are fast becoming an expected aspect of the employee value proposition by today's workforce. We believe that the initiatives we have in place positions our business strongly to take advantage of this growth opportunity and to deliver new and unique propositions. In 2021 we are planning to add further new features that offer advanced engagement capabilities in line with market direction.

To support this growth, during 2020 we continued to undergo significant investment in our people and our processes and in developing greater specialist expertise, ensuing that we continue to have industry leading skills and methodologies across product development, systems implementation and client support. To underline our technology leadership, we also successfully migrated our users across to Microsoft Azure and providing them with a modern, powerful, scalable Cloud platform.

In 2021 we will continue to focus on these areas to ensure that our technology and our service continue to lead the field and provide exceptional value and we intend to extend out our account management capabilities to ensure that our clients receive the very best service.

We are delighted to have been acquired by FPE Capital LLP in July 2021 which will facilitate further growth in the business.

I again thank all our staff who continue to show tremendous dedication and enthusiasm in embracing the transformational changes needed to deliver our new technology to the market and ensure we can continue to grow and prosper as a company and address new and emerging market needs in innovative ways.

With the market opportunities ahead of us and with the ongoing investment we will be putting into development of our software and services, I am confident that the company is well positioned for significant long term profitable growth and to continue to increase its lead in the employee engagement market.

On behalf of the board:

RA Sieber
Director

Leatherhead House
Station Road
Leatherhead
Surrey
KT22 7FG

30 September 2021

Directors' report

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

Dividends

The directors do not recommend payment of a dividend (2019: £nil).

Directors

The directors who held office during the year and up to the date of signing this report were as follows.

RA Sieber	
NH Dean	(appointed 21 July 2021)
EC Reynolds	(appointed 21 July 2021)
ML Timmins	(resigned 21 July 2021)
NM Stevens	(resigned 21 July 2021)

Principal risks and uncertainties

The Directors review and where possible mitigate known business risks. The directors do not believe that there are any significant risks and uncertainties associated with this company.

Actions taken to ensure that the business is well positioned to fully support the requirements of its customers and colleagues during the Covid 19 pandemic have been successful. The business has continued to provide all services to its customers during the lockdown period and employees were able to work from remote locations immediately, avoiding any material impact to trading.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for the company for the period to September 2022 which indicate that, taking account of severe but plausible downside scenarios, the company will have sufficient funds to meet its liabilities as they fall due for that period.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due until at least September 2022 and therefore have prepared the financial statements on a going concern basis.

Disclosure of information to auditor

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

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report.

Directors' report *(continued)*

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of a Directors' and Officers' liability insurance, which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. This indemnity, which is applicable to the directors of the Company, was in force throughout the last financial year and is currently in force.

Auditor

The company intends to hold a tender for audit services prior to the end of the financial year to 31 December 2021. KPMG LLP has indicated that it will not participate in this process and will therefore tender its resignation at the time the new auditor has been selected. KPMG LLP confirms there are no circumstances in connection with its planned resignation that should be brought to the attention of the members or creditors of the Company.

By order of the board

RA Sieber
Director

Leatherhead House
Station Road
Leatherhead
Surrey
KT22 7FG

30 September 2021

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

The directors acknowledge their responsibilities for preparing the Strategic Report, and 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 UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
15 Canada Square
London
England
E14 5GL
United Kingdom

Independent Auditor's report to the members of Zest Technology Limited

Opinion

We have audited the financial statements of Zest Technology Limited (the 'Company') for the year ended 31 December 2020, which comprise the Profit and loss account and Other Comprehensive Income, the Balance sheet, the Statement of changes in equity, and Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Independent Auditor's report to the members of Zest Technology Limited *(continued)*

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, and whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board meeting minutes.
- Considering remuneration incentive schemes and performance targets for management, directors and staff.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is not calculated appropriately or recorded in the wrong period and the risk that Company management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates.

We did not identify any additional fraud risks.

We performed procedures including:

- Tested whether a sample of sales transactions were recognised in the correct period by vouching those to underlying supporting documentation.
- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those with unexpected revenue account combinations during the financial year.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and employment law recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Independent Auditor's report to the members of Zest Technology Limited *(continued)*

Fraud and breaches of laws and regulations – ability to detect (continued)

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the Strategic report and directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic and directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent Auditor's report to the members of Zest Technology Limited *(continued)*

The purpose of our audit work and to whom we owe our responsibilities
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.

Paul Nichols

Paul Nichols (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
England
E14 5GL

Date: 1 October 2021

Profit and loss account and Other Comprehensive Income

for the year ended 31 December 2020

	Note	**31 December 2020 £**	31 December 2019 £
Turnover		**3,948,278**	3,618,066
Other income		**75,011**	-
Operating expenses		**(4,602,033)**	(4,531,089)
Operating loss	*2-4*	**(578,744)**	(913,023)
Interest payable	5	**(35,032)**	(11,766)
Loss before taxation		**(613,776)**	(924,789)
Tax on loss	*7*	**253,527**	(62,776)
Loss for the financial year		**(360,249)**	(987,565)

There are no items to be included in Other Comprehensive Income in the current or preceding year.

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

Balance sheet
at 31 December 2020

	Note	31 December 2020		31 December 2019	
		£	£	£	£
Fixed assets					
Tangible assets	8		26,434		34,990
Lease assets	8,9		1,118,699		1,211,553
Intangible assets	10		3,446,683		3,316,777
			4,591,816		4,563,320
Current assets					
Debtors	11	1,276,110		2,090,286	
Cash and cash equivalents		776,855		249,379	
		2,052,965		2,339,665	
Creditors: amounts falling due within one year	12	(2,221,296)		(1,735,046)	
Net current (liabilities)/assets			(168,331)		604,619
Total assets less current liabilities			4,423,485		5,167,939
Creditors: amounts falling due after one year					
Deferred tax liability	13		(301,494)		(555,021)
Lease liability	9		(1,052,342)		(1,183,020)
Net assets			3,069,649		3,429,898
Capital and reserves					
Called up share capital	14		255		255
Share premium			1,588,177		1,588,177
Profit and loss account			1,481,217		1,841,466
Shareholders' funds			3,069,649		3,429,898

These financial statements were approved by the board of directors on 30 September 2021 and were signed on its behalf by:

RA Sieber
Director

Company registered number: 05104223

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

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 £
Balance at 1 January 2019	255	1,588,177	2,829,031	4,417,463
Total comprehensive loss for the period				
Loss for the period	-	-	(987,565)	(987,565)
Total comprehensive loss for the period	-	-	(987,565)	(987,565)
Balance at 31 December 2019	255	1,588,177	1,841,466	3,429,898
Balance at 1 January 2020	255	1,588,177	1,841,466	3,429,898
Total comprehensive loss for the period				
Loss for the period	-	-	(360,249)	(360,249)
Total comprehensive loss for the period	-	-	(360,249)	(360,249)
Balance at 31 December 2020	**255**	**1,588,177**	**1,481,217**	**3,069,649**

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

Notes

(forming part of the financial statements)

1 Accounting policies

Zest Technology Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. The address of its registered office is Leatherhead House, Station Road, Leatherhead, Surrey, KT22 7FG.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* applicable in the UK and Republic of Ireland (*"FRS 101"*). The presentation currency of these financial statements is pound sterling.

Throughout the year, the Company's ultimate parent undertaking was Fintel plc (formerly The SimplyBiz Group plc), which included the Company in its consolidated financial statements. The consolidated financial statements of Fintel plc are available to the public and may be obtained from Fintel House, St. Andrews Road, Huddersfield, HD1 6NA. 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 101 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;
- Key Management Personnel compensation;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Comparative period reconciliations for tangible fixed assets and intangible assets.
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures.*

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

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

Notwithstanding a loss for the year ended 31 December 2020 of £360,249 and net current liabilities of £168,311 as at 31 December 2020, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements, which indicate that, on current trading performance, the business is profitable and cash generative for the next 12 months. The cash flow forecasts assume that the company's performance will continue to grow during the period to September 2022.

Taking account of severe downside trading and cash flow forecast scenarios, the company will have sufficient funds to meet its liabilities as they fall due for that period.

The cash flow forecasts assume that the company will continue to see growth in annual sales during the period to September 2022.

The directors have nonetheless considered severe but plausible downside scenarios, including a scenario in which projected new sales still to be signed are reduced by half compared to the base case assumption. This would take new sales rates well below that historically achieved in 2020 and H1 2021, i.e. during the previous lockdown and height of the COVID crisis. This is considered possible, but highly unlikely, as it would involve the Company trading at levels far worse than those achieved in the previous lockdown. In such a scenario, various cost mitigation measures have been considered. These measures, taken in combination, would allow the company to continue to generate positive cash inflows.

Notes *(continued)*

1 Accounting policies *(continued)*

1.2 Going concern (continued)

In respect of liquidity, the directors have noted that the company's net current liabilities of £168,311 includes a deferred income of £543,259 which will not result in a cash outflow for the company, but instead will result in the recognition of future income.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least the next 12 months and therefore have prepared the financial statements on a going concern basis.

1.3 Classification of financial instruments issued by the Company

In accordance with FRS 101, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.4 Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Company accounts for each lease component separately from the non-lease components. However, for the leases of class of underlying asset, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component. The Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

Notes *(continued)*

1 Accounting policies *(continued)*

1.4 Leases (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment', current lease liabilities in "creditors: amounts falling due within one year" and non-current lease liabilities as a separate line item in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1.5 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Trade and other receivables
Trade and other receivables are recognised at fair value, minus expected future losses. A provision for impairment of trade receivables is recognised based on lifetime expected losses, but principally comprise balances where objective evidence exists that the amount will not be collectible. Such amounts are written down to their estimated recoverable amounts, with the charge being made to operating expenses.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Non-derivative financial instruments (continued)

Trade and other payables
Trade and other payables are recognised at fair value.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Amounts owed by / to Group Undertakings
Amounts owed by / to group undertakings are classified as current assets / liabilities, unless specific payment terms are in place.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- office equipment: 3 years
- fixtures and fittings: 3 years
- Property: 10 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.7 Intangible assets

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Development expenditure: 5 years

Notes *(continued)*

1 Accounting policies *(continued)*

1.8 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.9 Revenue recognition

Revenue is recognised by reference to the five-step model set out in IFRS 15. Revenue is recognised when an entity transfers goods or services to a customer, measured at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the good or service is transferred to the customer.

The following specific recognition criteria must also be met before revenue is recognised:

Software licence income and employee benefit software licence and project fees
Revenue from software licence income and fees is recognised over time, in line with the right to access to the software (output method). No significant judgements are made to determine the right of access.

Revenue from software project fees and consulting is recognised on the achievement of specific milestones and performance obligations, reflected in the agreement with the customer. The value of revenue recognised is based on the overall value of the contracts and its performance obligations. The Company has no long-term projects.

Marketing Licencing
Where contracts relate to the provision of marketing collateral, revenue is recognised over the period of the contract, in line with the support provided to the customer and maintenance of the licenced brand (output method).

1.10 Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Taxation

Tax on the profit or loss for the year 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, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, 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 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. Timing differences are not provided for differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. 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.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.12 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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below. There are no significant judgements.

Intangible assets – Capitalised Development Costs
The company business includes a significant element of research and development activity. Under FRS 101 there is a requirement to capitalise and amortise development spend to match costs to expected benefits from projects deemed to be commercially viable. The application of this policy involves the ongoing consideration by management of the forecasted economic benefit from such projects compared to the level of capitalised costs, together with the selection of amortisation periods appropriate to the life of the associated revenues from the product.

Impairment of trade debtors
The Company makes an estimate of the recoverable value of trade and other debtors. A provision for impairment of trade receivables is recognised based on lifetime expected losses, but principally comprise balances where objective evidence exists that the amount will not be collectible. Such amounts are written down to their estimated recoverable amounts, with the charge being made to operating expenses.

1.11 Accounting for Government Support

Amounts receivable under the UK Government's Coronavirus Job Retention Scheme have been recognised in profit or loss on a systematic basis as other income once any conditions related to the receipts are met. Further details of the support received is shown in note 6.

Notes *(continued)*

2 Expenses and auditor's remuneration

The operating loss is stated after charging:

	31 December 2020 £	31 December 2019 £
Research and development expenditure	**42,460**	33,648
Depreciation – leased assets	**128,165**	133,006
Depreciation – owned assets	**13,416**	22,241
Amortisation	**902,355**	620,242

Auditors remuneration of £9,000 (2019 £5,400) is borne by a fellow group company.

3 Staff numbers and costs

	31 December 2020 £	31 December 2019 £
Wages and salaries	**1,784,627**	2,045,972
Social security costs	**287,735**	284,130
Other pension costs	**122,652**	124,873
	2,195,014	2,454,975

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

	31 December 2020	31 December 2019
Sales and administration	**52**	54

4 Directors' remuneration

	31 December 2020 £	31 December 2019 £
Directors' remuneration	**135,500**	135,500
Directors' pension contributions to money purchase schemes	**6,253**	6,253

Notes *(continued)*

4 Directors remuneration *(continued)*

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

	31 December 2020	31 December 2019
Money purchase schemes	**1**	1

The Company was recharged £nil with respect to Directors' costs (2019: £46,000). This is considered to be equivalent to the amount attributable to the services provided by the directors to the Company.

5 Interest payable

	31 December 2019 £	31 December 2019 £
Finance charge on lease liability	**35,032**	11,766

6 Government grants

The Company has received financial assistance during the year ended 31 December 2020 from the Coronavirus Job Retention Scheme. These amounts have been recognised in other income withint the profit or loss statement. £52,600 of grants were received in the year and there are no unfulfilled conditions and other contingencies attaching to the amounts received.

Notes *(continued)*

7 Taxation

Total tax charge recognised in the profit and loss account

	31 December 2020	31 December 2019
	£	£
Current tax		
Current tax on income for the period	-	115,736
Adjustments in respect of prior periods	-	(115,736)
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	**(69,017)**	(62,776)
Adjustments in respect of prior years	**322,544**	-
Total deferred tax (see note 12)	**253,527**	(62,776)
Total tax credit/(charge)	**253,527**	(62,776)

Reconciliation of effective tax rate

	31 December 2020	31 December 2019
	£	£
Loss for the year	**(360,249)**	(987,565)
Total tax (credit)/charge	**(253,527)**	62,776
Loss before taxation	**(613,776)**	(924,789)
Tax using the UK corporation tax rate of 19% *(2019: 19%)*	**(116,617)**	(175,710)
Effects of:		
Expenses not deductible for tax purposes	**81,340**	119,352
Group relief surrendered	**145,349**	297,968
Capital allowances in excess of depreciation	**(494)**	(4,308)
Allowable development expenditure	**(91,438)**	(121,566)
Adjustments to tax charge in respect of prior periods	**322,544**	(115,736)
R&D benefit	**(18,140)**	-
Deferred tax timing difference	**(69,017)**	(62,776)
Total tax credit included in the profit or loss	**253,527**	(62,776)

Changes affecting the future tax charge

Reductions in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the deferred tax balances in the future.

Notes *(continued)*

8 Tangible fixed assets

	Property £	Office equipment £	Fixtures & fittings £	Total £
Cost				
Balance at 1 January 2020	1,344,559	136,283	193,207	1,674,049
Additions	35,311	-	4,860	40,095
Disposals	(91,229)	-	-	(91,229)
Balance at 31 December 2020	1,288,641	136,283	198,067	1,622,915
Depreciation and impairment				
At 1 January 2020	133,006	124,468	170,032	427,506
Charge for the year	128,165	7,162	6,254	141,505
Disposals	(91,229)	-	-	(91,229)
Balance at 31 December 2020	169,942	131,630	176,286	477,782
Net book value				
At 31 December 2019	1,211,553	11,815	23,175	1,246,543
At 31 December 2020	1,118,699	4,653	21,781	1,145,133

At 31 December 2020, net book values comprise:

	Property £	Office equipment £	Fixtures & fittings £	Total £
Tangible assets	-	4,653	21,781	26,434
Leased assets	1,118,699	-	-	1,118,699

Notes *(continued)*

9 Leases

Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases

Right-of-use assets
Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as property, plant and equipment (see note 8):

	Property	Office equipment	Fixtures & fittings	Total
	£	£	£	£
Balance at 1 January 2020	1,211,553	-	-	1,211,553
Additions to right-of-use assets	35,311	-	-	35,311
Depreciation charge for the year	(128,165)	-	-	(128,165)
Balance at 31 December 2020	1,118,699	-	-	1,118,699

Lease Liabilities

The following lease liabilities existed at 31 December:

	2020	2019
	£	£
Current liability (note 11)	**124,368**	82,076
Non-current liability	**1,052,342**	1,183,020
Closing balance	**1,176,710**	1,265,096

Changes in the lease liability from financing activities:

	2020
	£
Balance at 1 January 2020	**1,265,096**
Other changes:	
Additions	**4,766**
Lease payments	**(128,184)**
Interest charged	**35,032**
Closing balance	**1,176,710**

Notes *(continued)*

9 Leases *(continued)*

Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss for which the Company is a lessee:

	2020	2019
	£	£
Interest charged on lease liability	**35,032**	11,766
Lease depreciation	**128,165**	133,006

10 Intangible Assets

	Development expenditure	**Total**
	£	**£**
Cost		
At 1 January 2020	4,070,177	4,070,177
Additions	1,032,261	1,032,261
At 31 December 2020	5,102,438	5,102,438
Amortisation		
At 1 January 2020	753,400	753,400
Charge for year	902,355	902,355
At 31 December 2020	1,655,755	1,655,755
Net book value		
At 31 December 2020	**3,446,683**	**3,446,683**
At 31 December 2019	3,316,777	3,316,777

Notes *(continued)*

11 Debtors

	31 December 2020 £	31 December 2019 £
Amounts falling due within one year:		
Trade debtors	661,507	1,407,884
Other debtors	170	100
Prepayments	137,434	244,618
Accrued income	399,381	437,684
Corporation tax	77,618	-
	1,276,110	2,090,286

Amounts owed by group undertakings are repayable on demand and do not attract interest.

12 Creditors: amounts falling due within one year

	31 December 2020 £	31 December 2019 £
Trade creditors	165,123	344,703
Social security and other taxes	399,075	229,328
Amounts owed to group undertakings	685,815	514,521
Other creditors	77,829	21,791
Lease liability (note 8)	124,368	82,076
Accruals	225,827	171,896
Deferred income	543,259	370,731
	2,221,296	1,735,046

Amounts owed to group undertakings are repayable on demand and do not attract interest.

13 Deferred tax, assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31 December 2020 £	31 December 2019 £	31 December 2020 £	31 December 2019 £	31 December 2020 £	31 December 2019 £
Accelerated capital allowances	4,632	5,127	-	-	4,632	5,127
Other short term timing differences	4,295	3,704	(310,421)	(563,852)	(306,126)	(560,148)
Tax assets / (liabilities)	8,927	8,831	(310,421)	(563,852)	(301,494)	(555,021)

Notes *(continued)*

14 Employee benefits

The Company provides a defined contribution scheme for its employees. The amounts recognised as an expense in the period for scheme was £122,652 (2019: £124,873). Included within other creditors are pension costs of £22,606 (2019: £21,791) which were outstanding at the year end.

15 Called up share capital

Allotted, issued and fully paid:

Number	**Class:**	**Nominal value:**	**31 December 2020 £**	31 December 2019 £
255,030	Ordinary	£0.001	**255**	255

There is a single class of Ordinary share. There are no restrictions on the distribution of dividends or the repayment of capital.

16 Contingencies

Up until its sale on 21 July 2021, the company provided a guarantee against the bank loans of Fintel plc (formerly The SimplyBiz Group plc, the ultimate parent company. The total amount outstanding at 31 December 2020 amounted to £30,000,000 (*2019: £38,000,000*) The company was released from this guarantee on 21 July 2021.

17 Related party disclosures

The company has taken advantage of the exemption within FRS 101 and therefore not disclosed details of transactions during the year with fellow companies within the group headed by Fintel plc (formerly The SimplyBiz Group plc).

18 Ultimate parent company and controlling party

As at the year end date the immediate parent undertaking of the Company was Simply Biz Limited and the ultimate parent undertaking was Fintel plc. The results of the Company for the year ended 31 December 2020 are included in the consolidated financial statement of Fintel plc which are available from the company's registered office.

19 Post Balance Sheet Events

On 21 July 2021, the company was sold by its immediate parent undertaking, Simply Biz Limited which is part of the group headed by Fintel plc (formerly The SimplyBiz Group plc), to FPE Capital LLP and the existing Zest Technology Limited management team.