

Company Registration No. 05247843

SSP HOLDINGS LIMITED

Annual Report and Financial Statements

For the 18 months ended 30 September 2019

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SSP HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

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SSP HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S Lathrope
C Pennington

COMPANY SECRETARY

R Forrest (resigned 30 September 2020)
N Forrest (appointed 1 October 2020)

REGISTERED OFFICE

Fourth Floor
D Mill
Dean Clough
Halifax
West Yorkshire
HX3 5AX

SOLICITORS

Squire Patton Boggs
Trinity Court
16 John Dalton Street
Manchester
M60 8HS

AUDITOR

Deloitte LLP
Statutory Auditor
1 City Square
Leeds
LS1 2AL

SSP HOLDINGS LIMITED

STRATEGIC REPORT

We present our annual report and the audited financial statements for the 18 months ended 30 September 2019.

PRINCIPAL ACTIVITY

The Company is an intermediate holding company. The directors expect the Company to continue in this activity for the foreseeable future.

OWNERSHIP AND FINANCING

The ultimate parent undertaking of the Company is SSP Topco Limited, a company incorporated in the United Kingdom. The 'Group' hereon in is defined as the group of companies 100% owned by SSP Topco Limited. SSP Topco Limited is owned and controlled by Lloyds Development Capital, Scottish Equity Partners and management.

During the period the Company made revisions to its accounting reference period, and here presents financial statements for the 18 month period to 30 September 2019 versus comparators shown for the 12 months to 31 March 2018. As such, the current 18 month period results are not directly comparable to the prior 12 month period. This enabled key funding issues in the Group to be addressed, as described in the Going Concern note within the Directors' Report. Directors note that the registered accounting reference date is 29 September, although these financial statements are drawn up to 30 September 2019 as allowed under the provisions of the Companies Act.

STRATEGY AND OBJECTIVES

The Company through its subsidiaries is committed to the following key long term objectives:

- To supply market leading broker and insurer software solutions through a consolidated product set on a single SSP Digital Insurance Platform;
- To complete the development and launch of our new SSP Broking platform providing class leading capability across commercial and personal lines for brokers;
- To establish IQH as the market leading product in risk selection and pricing for both insurer and broker channels; and
- To complete the extensive overhaul of our data centres and transition fully to a secure, stable and easily scalable Cloud-based infrastructure.

STRATEGIC REVIEW

The Company has made a loss after tax of £9.5m (2018: £5.5m) driven by interest payable on inter-company loans. The loss has been transferred to reserves and the Company's net liabilities are £2.9m (2018: asset of £6.6m). As the Company is an intermediate holding company, with no transactions other than in relation to intercompany loans, no key performance indicators have been identified by the directors.

FUTURE PROSPECTS

As detailed in the going concern section of the Directors' Report, the Group is very pleased to report that it has exchanged contracts on the sale of the entire share capital of SSP Midco 2 Limited and its subsidiary undertakings to Volaris Group UK Holdco Ltd. Completion of this transaction is expected in January 2021 or shortly thereafter following Regulatory approval. This new structure will significantly reduce the debt and interest burden on the Group, provide financial security and allow the Group to progress its investments in market leading products and a move to a robust and secure Cloud based platform. It will also allow the Group to benefit from Volaris's in-depth expertise of growing software businesses through their long-term, "buy and hold" approach. If the proposed sale does not complete the Directors of the Group will be required to find an alternative way to restructure the debt of the business if it is to be able to meet its liabilities as they fall due.

The Covid-19 pandemic has resulted in the SSP Group adopting remote working across its sites. This has had little impact on the efficiency and effectiveness of the workforce or on the service provided by SSP Group to its customer base. The Directors would like to express their thanks to all SSP staff for their commitment and understanding during this difficult period. We have seen however that transaction levels across the whole market have reduced and that some capital projects have been deferred. The impact of Covid-19 in these areas has been incorporated into the Group forecasts used for going concern purposes.

PRINCIPAL RISKS AND UNCERTAINTIES AND FINANCIAL RISK MANAGEMENT

The key risks to which the business is exposed are summarised as follows:

- Economic risk: general economic environment influencing the willingness of customers to commit to investment in IT solutions. In mitigation, the SSP SaaS platforms will offer these customers an alternative to high capital cost projects;

SSP HOLDINGS LIMITED

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES AND FINANCIAL RISK MANAGEMENT (continued)

- **Industry risk:** failure to anticipate or react to changes in the industry model such as the consolidation of major customers and insurers moving pricing and rating onto their own systems. This is mitigated by constant engagement with the wider insurance sector through industry events and research and the ongoing development of SSP products to ensure that the Company provides up to date and market leading capabilities to its customers;
- **Industry risk:** competitors developing their products and targeting market share, mitigated by a clear and comprehensive product development roadmap in all areas including a consolidation of existing capabilities into a new SSP Digital Insurance Platform;
- **Finance risk:** breach of banking covenants before the plan to drive revenue and profit growth is fully completed. Subsequent to 30 September 2019 banking covenants were breached and the Group has worked closely with its banking partners to manage this risk and to also ensure that sufficient cash is available to allow the Group to continue its investment and restructuring programme;
- **Finance risk:** the availability of sufficient working capital to allow the Group to continue its investment and restructuring programme. The Group is working closely with its investors and banks to ensure access to adequate funding;
- **Finance risk:** interest rate movements impacting Group bank debt. This is mitigated by the use of financial instruments such as interest rate swaps;
- **Finance risk:** credit risk attached to trade receivables, mitigated by credit checks on new customers. Management considers the balance sheet value of trade receivables reflects the recoverable amount;
- **Capability risk:** failure to retain key skilled resources in an increasingly competitive market leading to reputation damage through compromise on quality and the timeliness of delivery. This is mitigated by the investment in HR initiatives, incentive plans and the development of the working environment; and
- **Infrastructure risk:** damage to revenue and reputation through service failure or a security breach. In mitigation, SSP has continued to invest heavily in its managed service infrastructure to ensure the hosting environment, data security procedures and disaster recovery plan are as robust as possible. The Company has also signed a contract with a leading international group to transition to a Cloud-based infrastructure.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it and the Company to a number of potential financial risks including cash flow risk, credit risk, liquidity risk, currency risk and interest rate risk. The use of financial derivatives to manage these risks is approved by the Board of Directors. The Group does not use derivative financial instruments for speculative purposes.

CASH FLOW / INTEREST RATE RISK

The Group's activities expose it to the financial risks of changes in interest rates. The Group uses interest rate contracts to hedge these exposures. The latest contract expired in June 2019 and although a new contract has not been executed at the time of signing these accounts, the directors are monitoring this risk closely.

CREDIT RISK

The Group's principal financial assets are bank balances and cash, trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

SSP HOLDINGS LIMITED

STRATEGIC REPORT (continued)

LIQUIDITY RISK

The Group held cash of £4.0m at 30 September 2019 (31 March 2018: £7.4m) and an undrawn revolving credit facility of £nil (2018: £8.0m). There is a risk that there will be insufficient cash in the short term to cover financing commitments and to fund ongoing operations and future developments, mitigated by an ongoing focus on working capital management, whilst working closely with the Group's investors and lenders to complete the transaction referred to above, where contracts have already been exchanged.

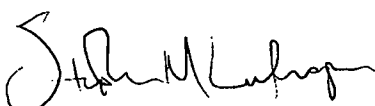
CURRENCY RISK

The Group undertakes activities in a number of territories and certain transactions are denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are monitored on an on-going basis with the option of placing forward contracts.

BREXIT RISK

Although the Group continues to monitor the UK's implementation of Brexit, based on the latest available information at the time of signing these financial statements, we do not believe that Brexit will substantially impact the Group's operations.

Approved by the Board of Directors and signed on behalf of the Board



S Lathrope

Director

28 December 2020

SSP HOLDINGS LIMITED

DIRECTORS' REPORT

The directors present their annual report on the affairs of the Company together with the financial statements and auditor's report for the 18 months ended 30 September 2019.

The Company's principal activities, principal risks and uncertainties and future prospects are presented in the Strategic Report.

DIRECTORS

The directors who served during the year and subsequently were as follows, except as noted:

S Lathrope	
C Pennington	(appointed 4 September 2018)
L Walker	(resigned 31 May 2018)
S Cargill	(resigned 2 May 2018)

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £9.5m (2018: £5.5m). The directors do not recommend the payment of a dividend, either in the year or subsequently (2018: £nil).

GOING CONCERN

In April 2018, the directors entered into negotiations with its Group lenders and investors to reset banking covenants and to provide further funds to support the business during a period of significant investment in its products and infrastructure. On 27 November 2018, an agreement was reached with the banks to reset covenants until the end of the loan term with a further option to roll some interest payments. The revolving facility was reset to £6m. The investors provided a further £7.6m of funds and management £0.3m of funds through the issue of additional loan notes.

In August 2019, when reviewing forecasts the Directors noted a risk that the Group would breach its revised banking covenants and also experience liquidity issues. It was also noted that the B1/B2 facilities and RCF facility were set to expire in June 2021 and May 2021 respectively.

As a result, the Directors entered into negotiations with its investors and lenders to find a solution to these issues.

To assist with liquidity during this period the lenders deferred interest and loan repayments on the B1 facility from March 2020 and on the B2 facility from December 2019. The banks also provided forbearance letters in respect of the breach of the EBITDA covenants from the quarter ended 31 December 2019 onwards

At the date of signing these accounts the Group has exchanged contracts on the sale of the entire share capital of SSP Midco 2 Limited and its subsidiary undertakings by SSP Topco Limited to Volaris Group UK Holdco Limited. Completion of the transaction is expected in January 2021 or shortly thereafter following receipt of FCA approval.

Subject to the transaction completing, proceeds from the sale of shares and from the issue of £65m of loan notes by SSP Midco 2 Limited will be used to repay the RCF facility and accrued interest held in SSP Limited and to part pay the B1/B2 facility and accrued interest held in SSP Midco 1 Limited. The remaining bank debt will be written off by the lenders.

The loan notes, which will be guaranteed by Constellation Software Inc, the ultimate parent company of Volaris Group UK Holdco Limited, incur cash interest of 1% and accrue interest at 4.75% with principal and accrued interest repayable after 7 years

Forecasts indicate that this reduced interest burden will allow the Group to pay its liabilities as they fall due for at least 12 months from the date of signing of these accounts.

Constellation Software Inc is a publicly traded group of vertical market software companies generating revenues of USD 3,490 million and cash flows from operations of USD 708 million in the year to 31 December 2019. Constellation Software Inc operates a "buy and hold" philosophy, with the intention of running businesses as going concerns over the long term.

SSP HOLDINGS LIMITED

DIRECTORS' REPORT (continued)

GOING CONCERN (continued)

The forecasts referred to above cover the period to March 2025, were prepared to support the transaction process and have been subject to third party review throughout the process. An initial version submitted to banks and potential investors in November 2019 has also been used as the basis for impairment calculations as detailed in note 12 to these financial statements. These forecasts were later adjusted to reflect the impact of the Covid-19 pandemic on the Group, and it is these later forecasts that supported the transaction, adjusted for future loan note interest and an updated opening cash position, that form the basis of the going concern assessment (see Future Prospects section of Strategic Report).

The Directors have highlighted that, as the transaction has not been completed at the date of signing these financial statements, material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and meet its liabilities as they fall due. However, as a result of the exchange of contracts on the above transaction, these financial statements have been prepared on a going concern basis. As such, in these financial statements, no adjustments have been made to reflect any write down in the value of assets that would be required should the Group be unable to continue as a going concern. If the transaction is not completed and an alternative funding agreement is not reached with lenders, the business will not be able to meet its liabilities as they fall due and the value of assets including investments and intercompany receivables may not be realisable.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the date of approval of this report confirm that:

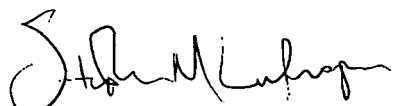
- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

AUDITOR

Deloitte have expressed their willingness to continue in office as auditor and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board.



S Lathrope

Director

28 December 2020

SSP HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. 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), including FRS 101 "Reduced Disclosure Framework". Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SSP HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of SSP Holdings Limited:

- give a true and fair view of the state of the company's affairs as at 30 September 2019 and of its loss for the 18 month period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of total comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 14.

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 are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which indicates that if the proposed sale of the entity does not complete post signing, it could create the need for additional funding that is as yet not committed. As stated in note 2, these events or conditions, along with the other matters as set forth in note 2 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SSP HOLDINGS LIMITED (continued)

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.

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.

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

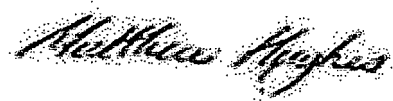
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters

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.



Matthew Hughes ACA Bsc (Hons) (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
28 December 2020

SSP HOLDINGS LIMITED

STATEMENT OF TOTAL COMPREHENSIVE INCOME For the 18 months ended 30 September 2019

		18 months to 30 Sept 2019 £'000	Year to 31 Mar 2018 £'000
	Note		
REVENUE		-	-
Administrative expenses		-	-
		<u>-</u>	<u>-</u>
OPERATING PROFIT		-	-
Finance costs	6	(9,503)	(5,536)
		<u>(9,503)</u>	<u>(5,536)</u>
LOSS BEFORE TAXATION		(9,503)	(5,536)
Tax	7	-	-
		<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL PERIOD AND TOTAL COMPREHENSIVE INCOME		<u>(9,503)</u>	<u>(5,536)</u>

Finance costs are all derived from continuing operations.

The notes on the proceeding pages form an integral part of these financial statements.

SSP HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY

For the 18 months ended 30 September 2019

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2017	83	30,250	15,143	50	(33,353)	12,173
Comprehensive loss for the year	-	-	-	-	(5,536)	(5,536)
At 31 March 2018	83	30,250	15,143	50	(38,889)	6,637
Comprehensive loss for the period	-	-	-	-	(9,503)	(9,503)
At 30 September 2019	83	30,250	15,143	50	(48,392)	(2,866)

SSP HOLDINGS LIMITED

BALANCE SHEET AS AT 30 September 2019

	Note	30 Sept 2019 £'000	31 Mar 2018 £'000
NON-CURRENT ASSETS			
Investments in subsidiaries	8	64,805	64,805
CURRENT ASSETS			
Trade and other receivables	9	23,042	23,042
TOTAL ASSETS		<u>87,847</u>	<u>87,847</u>
CURRENT LIABILITIES			
Trade and other payables	10	90,713	81,210
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(2,866)</u>	<u>6,637</u>
NET (LIABILITIES) / ASSETS		<u>(2,866)</u>	<u>6,637</u>
EQUITY			
Called-up share capital	11	83	83
Share premium account		30,250	30,250
Merger reserve		15,143	15,143
Capital redemption reserve		50	50
Retained earnings		(48,392)	(38,889)
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		<u>(2,866)</u>	<u>6,637</u>

The notes on the proceeding pages form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 28 December 2020 .

Signed on behalf of the Board of Directors



C Pennington
Director

NOTES TO THE FINANCIAL STATEMENTS

18 months ended 30 September 2019

1. GENERAL INFORMATION

SSP Holdings Limited (the Company) is a private company limited by shares and is incorporated in England, United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on page 2.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. This is also the currency that these financial statements are presented in.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group financial statements of SSP Topco Limited. The group financial statements of SSP Topco Limited are available to the public and can be obtained as set out in note 13. The Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC) incorporating the Amendments to FRS 101 issued by the FRC in July 2015 other than those relating to legal changes and has not applied the amendments to the Company law made by The Companies, Partnerships and Groups (Financial Statements and Reports) Regulations 2015 that are effective for accounting period beginning on or after 1 January 2016.

2. ACCOUNTING POLICIES

Basis of accounting

The Company meets the definition of a qualifying entity under Financial Reporting Standard (FRS 101) 'Reduced Disclosure Framework' issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

The financial statements are prepared under the historical cost convention as modified by financial instruments recognised at fair value.

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and prior year.

Investments

Investments are included in the balance sheet at cost less any provision for permanent diminution in value.

Going concern

In April 2018, the directors entered into negotiations with its Group lenders and investors to reset banking covenants and to provide further funds to support the business during a period of significant investment in its products and infrastructure. On 27 November 2018, an agreement was reached with the banks to reset covenants until the end of the loan term with a further option to roll some interest payments. The revolving facility was reset to £6.0m. The investors provided a further £7.6m of funds and management £0.3m of funds through the issue of additional loan notes.

In August 2019, when reviewing forecasts the Directors noted a risk that the Group would breach its revised banking covenants and also experience liquidity issues. It was also noted that the B1/B2 facilities and RCF facility were set to expire in June 2021 and May 2021 respectively.

As a result, the Directors entered into negotiations with its investors and lenders to find a solution to these issues.

To assist with liquidity during this period the lenders deferred interest and loan repayments on the B1 facility from March 2020 and on the B2 facility from December 2019. Lenders also provided forbearance letters in respect of the breach of EBITDA covenants at certain quarters during 2020.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 months ended 30 September 2019

2. ACCOUNTING POLICIES

Going concern (continued)

At the date of signing these accounts the Group has exchanged contracts on the sale of the entire share capital of SSP Midco 2 Limited and its subsidiary undertakings by SSP Topco Limited to Volaris Group UK Holdco Limited. Completion of the transaction is expected in January 2021 or shortly thereafter following receipt of FCA approval.

Subject to the transaction completing, proceeds from the sale of shares and from the issue of £65m of loan notes by SSP Midco 2 Limited will be used to repay the RCF facility and accrued interest held in SSP Limited and to part pay the B1/B2 facility and accrued interest held in SSP Midco 1 Limited. The remaining bank debt will be written off by the lenders.

The loan notes, which will be guaranteed by Constellation Software Inc, the ultimate parent company of Volaris Group UK Holdco Limited, incur cash interest of 1% and accrue interest at 4.75% with principal and accrued interest repayable after 7 years.

Forecasts indicate that this reduced interest burden will allow the Group to pay its liabilities as they fall due for at least 12 months from the date of signing of these accounts.

Constellation Software Inc is a publicly traded group of vertical market software companies generating revenues of USD 3,490 million and cash flows from operations of USD 708 million in the year to 31 December 2019. Constellation Software Inc operates a “buy and hold” philosophy, with the intention of running businesses as going concerns over the long term.

The forecasts referred to above cover the period to March 2025, were prepared to support the transaction process and have been subject to third party review throughout the process. An initial version submitted to banks and potential investors in November 2019 has also been used as the basis for impairment calculations as detailed in note 12 to these financial statements. These forecasts were later adjusted to reflect the impact of the Covid-19 pandemic on the Group, and it is these later forecasts that supported the transaction, adjusted for future loan note interest and an updated opening cash position, that form the basis of the going concern assessment (see Future Prospects section of Strategic Report).

The Directors have highlighted that, as the transaction has not completed at the date of signing these financial statements, material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern and meet its liabilities as they fall due. However, as a result of the exchange of contracts on the above transaction, these financial statements have been prepared on a going concern basis. As such, in these financial statements, no adjustments have been made to reflect any write down in the value of assets that would be required should the Group be unable to continue as a going concern. If the transaction is not completed and an alternative funding agreement is not reached with lenders, the business will not be able to meet its liabilities as they fall due and the value of assets including investments and intercompany receivables may not be realisable.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

NOTES TO THE FINANCIAL STATEMENTS (continued)
18 months ended 30 September 2019

2. ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 2 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The critical judgements that have been made and the key sources of estimation uncertainty that have the most significant effect on the amounts recognised in the financial statements are set out below.

Impairment of investments (Note 8)

The directors consider the impairment of investments to be the key area of judgement and uncertainty. They assess annually whether any investment has suffered any impairment based on value-in-use calculations that require the use of estimates. No impairment was identified in the year.

Taxation (Note 7)

The directors use their judgement in determining the extent to which deferred tax assets should be recognised. To the extent that such assets are recognised, they are only carried on the Balance Sheet when it is considered probable that they will be recovered. This requires an assessment of the expected future profits of the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 months ended 30 September 2019

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Going concern (Note 2)

As set out note 2, the Director's assessment that the transaction to sell the business will complete and provide liquidity headroom to the business is a key in determining whether these financial statements should be prepared on a going concern basis. The directors consider the application of the going concern basis of preparation to the financial statements to be a key area of uncertainty.

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The four directors during the period (2018: three) were employed and remunerated by SSP Midco 2 Limited or SSP Limited for their services to the group as a whole. The directors received total emoluments of £1,273,000 (2018: £1,033,000) from SSP Midco 2 Limited or SSP Limited during the year, but it is not practicable to allocate this between their services as executives of SSP Midco 2 Limited or SSP Limited and as directors of the other group companies. The remuneration of the highest paid director was £734,000 (2018: £476,000). Pension contributions were not made in respect of the highest paid director in either period. There were no other employees.

5. OTHER OPERATING EXPENSES

Fees payable to the Company's auditor for the audit of the company's financial statements of £1,000 (2018: £1,000) have been met by a fellow group undertaking.

6. FINANCE COSTS

	18 months to Sept 2019 £'000	Year to 31 Mar 2018 £'000
Interest payable on intercompany loans	<u>9,503</u>	<u>5,536</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	18 months to Sept 2019 £'000	Year to 31 Mar 2018 £'000
Corporation tax		
United Kingdom corporation tax		
Tax (credit) / charge on profit on ordinary activities	<u>-</u>	<u>-</u>
Current tax charge for the year	<u>-</u>	<u>-</u>

Factors affecting tax charge for period

The tax assessed for the year is different to the average standard rate of corporation tax of 19% (2018: 19%). The differences are explained below.

NOTES TO THE FINANCIAL STATEMENTS (continued)
18 months ended 30 September 2019

7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

	18 months to Sept 2019 £'000	Year to 31 Mar 2018 £'000
Loss on ordinary activities before tax	(9,503)	(5,536)
Expected tax charge at 19% (2018: 19%)	(1,806)	(1,052)
Group relief not paid for	1,806	1,052
Current tax charge for the period	-	-

At 30 September 2019 there was an unprovided deferred tax asset of £1,297,000 (2018: £1,297,000) relating primarily to unutilised losses. This is not recognised as it was more likely than not under the current group tax structure that this asset would not unwind in the foreseeable future.

The Finance Bill 2016 included provisions to reduce the main rate of corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the cut in the rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As this has not been enacted by the balance sheet date, balances as at 30 September 2019 continue to be measured at 17%. The amended tax rate would cause an immaterial change in the deferred tax asset/liability.

8. INVESTMENT IN SUBSIDIARIES

	Investment in subsidiary undertakings £'000
Cost	
As at 1 April 2018 and as at 30 September 2019	64,805
Provision for impairment	
As at 1 April 2018 and as at 30 September 2019	-
Net book value	
As at 30 September 2019	64,805
Net book value	
As at 31 March 2018	64,805

At 30 September 2019 the company held directly* or indirectly 100% of the allotted ordinary share capital of the following undertakings.

SSP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) 18 months ended 30 September 2019

8. INVESTMENT IN SUBSIDIARIES (continued)

Name of company	Country of registration	Holding	Nature of business
SSP Limited*	England & Wales	Ordinary shares	Software house
SSP (Africa) Pty Limited	South Africa	Ordinary shares	Software house
SSP (Africa) Holdings Pty Limited	South Africa	Ordinary shares	Holding company
SSP Sirius Solutions Limited	England & Wales	Ordinary shares	Holding company
SSP Sirius Limited	England & Wales	Ordinary shares	Dormant
Sirius Financial Systems Group Limited	England & Wales	Ordinary shares	Dormant
SSP (New Zealand) Limited	New Zealand	Ordinary shares	Software house
SSP (USA) Inc	USA	Common stock	Software house
SSP (India) Private Limited	India	Ordinary shares	Software development
SSP (Asia Pacific) Pty Limited	Australia	Ordinary shares	Software house
Key Choice Insurance Marketing Limited	England & Wales	Ordinary shares	Dormant
Keychoice Underwriting Limited	England & Wales	Ordinary shares	Dormant
Holdgrove Limited	England & Wales	Ordinary shares	Holding company
Sectornet Limited	England & Wales	Ordinary shares	Dormant
Mediquote Health Solutions Limited	England & Wales	Ordinary shares	Dormant
Policy Master Group Limited	England & Wales	Ordinary shares	Dormant

A subsidiary of the Company (SSP (Africa) Holdings (Proprietary) Limited holds a 25% stake in the share capital of Friedshelf 1027 (Proprietary) Limited t/a The Insurance Webgate Company (incorporated in South Africa).

The registered office of the companies registered in England & Wales is Fourth Floor D Mill, Dean Clough, Halifax, HX3 5AX.

The registered office of the companies registered in South Africa is Sandown Mews, Ground Floor West Building, 88 Stella Road, Sandton, Johannesburg, 2196.

The registered office of SSP (New Zealand) Limited is Level 6, 205 Queen Street, Auckland.

The registered office of SSP (USA) Inc is 6465 Greenwood Plaza Blvd, Suite 170, Centennial, Co 80111.

The registered office of SSP (India) Private Limited is 4th Floor, Block A-2, DLF World Tech Park, DLF IT SEZ Silokhera, Sector 30, Gurugram, Haryana, 122002.

The registered office of SSP (Asia Pacific) Pty Limited is Level 3, 293 Camberwell Road, Camberwell, Vic 3124.

NOTES TO THE FINANCIAL STATEMENTS (continued)
18 months ended 30 September 2019

9. TRADE AND OTHER RECEIVABLES

	30 Sept 2019 £'000	31 Mar 2018 £'000
Amounts due from group undertakings	<u>23,042</u>	<u>23,042</u>

Amounts owed by group undertakings are repayable on demand and held at amortised cost. Interest is charged at 7% plus LIBOR

10. TRADE AND OTHER PAYABLES

	30 Sept 2019 £'000	31 Mar 2018 £'000
Amounts due to group undertakings	<u>90,713</u>	<u>81,210</u>

Amounts owed to group undertakings are repayable on demand and held at amortised cost. Interest is charged at 7% plus LIBOR

11. CALLED-UP SHARE CAPITAL

	30 Sept 2019 £'000	31 Mar 2018 £'000
<i>Authorised</i>		
120,000,000 Ordinary shares of 0.1p each	<u>120</u>	<u>120</u>
<i>Called-up, allotted and fully paid</i>		
83,250,039 Ordinary shares of 0.1p each	<u>83</u>	<u>83</u>

The Company has one class of ordinary shares which carry no right to fixed income.

12. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose details of related party transactions with other wholly owned group companies.

NOTES TO THE FINANCIAL STATEMENTS (continued)
18 months ended 30 September 2019

13. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The ultimate parent undertaking of the Company is SSP Topco Limited, a company incorporated in the United Kingdom. The SSP group of companies headed by SSP Topco Limited is owned and controlled by Lloyds Development Capital, Scottish Equity Partners and management.

At the reporting date, the Company has been included in the group consolidated financial statements of SSP Midco 2 Limited which is the smallest group that prepares consolidated financial statements that include the financial statements of the Company. The largest group that prepares consolidated financial statements that include the financial statements of the Company is SSP Topco Limited. Copies of those financial statements will be available at the following address: Fourth Floor D Mill, Dean Clough, Halifax, HX3 5AX.

The immediate parent undertaking of the Company is SSP Bidco Limited, a Company incorporated in the United Kingdom. Copies of those financial statements will be available at the following address: Fourth Floor D Mill, Dean Clough, Halifax, HX3 5AX.

14. SUBSEQUENT EVENTS

As detailed in the going concern section of the Directors Report, post the balance sheet date the Group has been involved in a transaction process. At the date of signing these financial statements contracts have been exchanged on a deal where SSP Topco Limited sells the entire share capital of SSP Midco 2 Limited and its subsidiary undertakings to new investors. It is anticipated that completion of the deal will be formalised in January 2021 or shortly thereafter.

The Covid-19 pandemic led SSP group to adopt remote working across all its UK and International sites. To date, the business has experienced little impact on efficiency and effectiveness from remote working and the Directors expect this to continue should offices need to remain closed into 2021. The impact of Covid-19 on trading is detailed in the Strategic Report.