Alcumus Holdings Limited

Annual report and financial statements

Registered number 06955372

For the year ended 31 December 2019

Contents

Company Information

Directors

A Franklin
M Williams
CC Holding (resigned 28 August 2019)
T Jackson (appointed 21 June 2019)
NW Rosenberg (appointed 28 August 2019)

Secretary

Mrs Suzie Chetri

Registered office

Axys House
Heol Crochendy, Parc Nantgarw
Cardiff
CF15 7TW

Registered number

06955372 (England and Wales)

Auditor

KPMG LLP
3 Assembly Square
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Cardiff
CF10 4AX

Bankers

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Reading
RG1 1LX

NatWest
250 Bishopsgate
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51 Avenue John F Kennedy
L-1855 Luxembourg

Strategic Report

The Directors present their strategic report of Alcumus Holdings Limited ("the company") for the year ended 31 December 2019.

Business review and key performance indicators

As an intermediate holding company no trading revenue was generated. A review of the company's operations is not relevant in isolation of a review of the group's operations, which is set out in the consolidated financial statements of Alcumus Group Limited. Administrative expenses are mainly payroll related.

The loss before tax was £14,686,078 *(2018: loss of £20,721,210)*. 2018 administrative expenses include an impairment of £9,610,001 in the carrying value of the cost of investment in one of its subsidiaries, Alcumus HSE Limited, which was determined to be appropriate by reference to the future projected cash flows of that entity following a planned contraction in activities. Net liabilities at 31 December 2019 were £71,362,014 *(2018: £56,584,726)*. Net current liabilities were £14,461,525 *(2018: £12,561,293 net current assets)*. The financial statements have been prepared on a going concern basis for reasons set out in note 1 to the financial statements.

We took the opportunity in July 2019 to divest our health and safety businesses, Alcumus HSE Limited and Alcumus SM&MS Limited. These are both strong and growing businesses but have a different strategic direction and modus operandi to the other Alcumus solutions. We continue to work together closely to service common clients.

In July 2019, we also strengthened Alcumus further through the acquisition of 1216566 B.C. Ltd for an investment of £12.5m. 1216566 B.C. Ltd acquired 100% of the share capital of eCompliance Management Solutions Inc for an investment of £25m. Immediately after the acquisition, the two companies were amalgamated to create eCompliance Management Solutions Inc ("eCompliance").

Principal risks and uncertainties

The execution of the company's strategy is subject to risks and uncertainties within the wider group. Principal among these is a decline in the number of businesses requiring compliance or certification services in addition to adverse changes in the regulatory or commercial environment. The Directors have considered the impact of the current COVID-19 pandemic on the business, with a particular focus on its effect on the Group's and Company's employees, customers and suppliers. The Group has adapted well, swiftly and successfully moving to remote working, and helping to support its customers through the pandemic. The Directors consider the Group to have sufficient financial resources to continue for the foreseeable future, in spite of the current crisis.

In mitigation of such risks, Alcumus keeps under continuous review the relevance of its products and services to the prevailing regulatory and commercial environments. These risks are also mitigated through Alcumus' strategy of multi-year subscription periods and service revenue cycles.

Financial risk management

As a holding company, the operating risks of the company are largely related to the performance of the subsidiary companies however it is exposed to some financial risks that include the effects of changes in liquidity risk and interest rate cash flow risk.

Liquidity risk

Alcumus manages liquidity across the group through regular review of cash requirements to ensure each company has sufficient available funds for operations and planned growth.

Strategic Report *(continued)*

Interest rate cash flow risk

The company has interest bearing assets but no interest-bearing liabilities. Interest bearing assets include only cash balances, all of which earn interest at variable rates.

By order of the board

Alyn Franklin

A Franklin
Director

Axys House,
Heol Crochendy, Parc Nantgarw,
Cardiff
CF15 7TW

7 September 2020

Directors' Report

The Directors present their annual report and the audited financial statements for Alcumus Holdings Limited ("the company") for the year ended 31 December 2019.

Principal activities

The principal activity of the company during the year was that of an intermediate holding company within the Alcumus Group. Alcumus is a market-leading provider of technology-enabled compliance risk management and certification services, supporting both UK and International clients with their testing, inspection and certification and governance, risk and compliance strategies.

Results and dividends

The loss for the financial year amounted to £14,777,288 *(2018: £20,791,107)*. The Directors made payment of a dividend of £Nil *(2018: £Nil)*.

Directors

The Directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

A Franklin
M Williams
CC Holding (resigned 28 August 2019)
T Jackson (appointed 21 June 2019)
NW Rosenberg (appointed 28 August 2019)

Directors' qualifying third party indemnity provisions

Professional indemnity cover for the purposes of the Companies Act 2006 has been taken out with a reputable insurance broker. This was in force during the financial year and up to the date of signing the financial statements.

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.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

A Franklin
Director

7 September 2020

Axys House,
Heol Crochendy, Parc Nantgarw,
Cardiff
CF15 7TW

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

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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 their profit or loss for that period. In preparing the company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 its 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.

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

Opinion

We have audited the financial statements of Alcumus Holdings Limited ("the company") for the year ended 31 December 2019 which comprise the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. 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. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and Directors' report

The Directors are responsible for the strategic report and the 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 report and the 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.

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

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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, 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.

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.

Jeremy Thomas

Jeremy Thomas (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX
10 September 2020

Profit and Loss Account and Other Comprehensive Income

for the year ended 31 December 2019

	Note	2019 £	2018 £
Turnover		-	-
Cost of sales		-	-
Gross loss		-	-
Administrative expenses	3	(6,133,043)	(13,119,699)
Other operating income	4	7,572	22,602
Operating loss		(6,125,471)	(13,097,097)
Gain on disposal of subsidiary	13	273,205	-
Income from shares in group undertakings		76,238	-
Interest payable and similar expenses	7	(8,918,035)	(7,675,022)
Interest receivable and similar income	8	7,985	50,909
Loss before taxation		(14,686,078)	(20,721,210)
Tax on loss		(91,210)	(69,897)
Loss for the financial year		(14,777,288)	(20,791,107)
Total comprehensive expense for the year		(14,777,288)	(20,791,107)

The notes form part of these financial statements.

Balance Sheet
at 31 December 2019

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Intangible assets	*10*		**693,788**		598,682
Tangible assets	*11*		**4,480,533**		4,317,976
Investments	*12*		**54,627,570**		42,161,654
			59,801,891		47,078,312
Current assets					
Debtors	*14*	**99,671,233**		62,860,244	
Cash at bank and in hand		**4,997,063**		8,926,313	
		104,668,296		71,786,557	
Creditors: amounts falling due within one year	*15*	**(119,129,821)**		(59,225,264)	
Net current (liabilities)/assets			**(14,461,525)**		12,561,293
Total assets less current liabilities			**45,340,366**		59,639,605
Creditors: amounts falling due after more than one year	*16*		**(116,564,081)**		(116,177,242)
Provisions	*18*		**(138,299)**		(47,089)
Net liabilities			**(71,362,014)**		(56,584,726)
Capital and reserves					
Called up share capital	*19*		**176,812**		176,812
Share premium account	*19*		**93,750**		93,750
Share based payment reserve	*19*		**92,550**		92,550
Profit and loss account			**(71,725,126)**		(56,947,838)
Deficit on shareholder's funds			**(71,362,014)**		(56,584,726)

These financial statements were approved by the board of Directors on 7 September 2020 and were signed on its behalf by:

Alyn Franklin

A Franklin
Director

Company registered number: 06955372

The notes form part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2019

	Called up share capital £	Share premium account £	Share based payment reserve £	Profit and loss account £	Deficit on shareholder's funds £
Balance at 1 January 2018	176,812	93,750	92,550	(36,156,731)	(35,793,619)
Comprehensive expense for the financial year					
Loss for the financial year	-	-	-	(20,791,107)	(20,791,107)
Total comprehensive expense for the financial year	-	-	-	(20,791,107)	(20,791,107)
At 31 December 2018	**176,812**	**93,750**	**92,550**	**(56,947,838)**	**(56,584,726)**
Balance at 1 January 2019	176,812	93,750	92,550	(56,947,838)	(56,584,726)
Comprehensive expense for the financial year					
Loss for the financial year	-	-	-	(14,777,288)	(14,777,288)
Total comprehensive expense for the financial year	-	-	-	(14,777,288)	(14,777,288)
At 31 December 2019	**176,812**	**93,750**	**92,550**	**(71,725,126)**	**(71,362,014)**

The notes form part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Alcumus Holdings Limited (the "Company") is a private company incorporated, domiciled and registered in England and Wales in the UK, the company's registered number is 06955372 and the registered office address is Axys House, Heol Crochendy, Parc Nantgarw, Cardiff, CF15 7TW.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (*"FRS 102"*). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1.

The Company's ultimate parent undertaking, Alcumus Group Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Alcumus Group Limited are available to the public and may be obtained from Axys House, Heol Crochendy, Parc Nantgarw, Cardiff, CF15 7TW. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

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

As the consolidated financial statements of Alcumus Group Limited include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments;* and,
- Certain disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

Notwithstanding net current liabilities of £14,461,525 and net liabilities of £71,362,014 as at 31 December 2019, and a loss of £14,777,288 for the year then ended, the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The company is financed by bank loans held on behalf of the Group and by intercompany balances.

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, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its ultimate parent company, Alcumus Group Limited, to meet its liabilities as they fall due for that period.

Notes *(continued)*

1 Accounting policies *(continued)*

1.2 Going concern (continued)

Those forecasts are dependent on Alcumus Group Limited not seeking repayment of the amounts currently due to the group, which at 31 December 2019 amounted to £116,443,469, and providing additional financial support during that period. Alcumus Group Limited has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The forecasts for the Alcumus group show that profitability and positive cash flow are expected to continue on an upward trend as a result of organic growth initiatives and continual investment. Since the start of the COVID-19 pandemic, there has been no material impact on customer retention or renewal rates across all divisions of the group. Current trading has seen a steady recovery since the lockdown period began with customer cash receipts quickly back at pre-pandemic levels and new business also recovering and expected to be back at pre-pandemic levels by the end of Q3 2020.

As it is not possible to reliably estimate the pandemic's duration and severity, as well as its impact on the financial outlook of Alcumus for future periods, the Directors of Alcumus Group Limited have prepared cash flow forecasts for a period of at least 12 months from the date of approval of the Alcumus group consolidated financial statements. The forecasts indicate that, even after taking account of reasonably possible downsides, the Group will continue its positive EBITDA performance and generate positive operating cash flows in the forthcoming financial year and for the foreseeable future. As a result, the Group is expected to remain in full compliance with its loan covenants and to be able to meet its financial obligations as they fall due.

Consequently, the Directors are confident that Alcumus Group Limited has the ability to provide the support described above, and that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Notes *(continued)*

1 Accounting policies *(continued)*

1.4 Basic financial instruments (continued)

Investments in subsidiaries

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.

1.5 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.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

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. The estimated useful lives are as follows:

- Motor vehicles 4 years
- Fixtures, fittings and equipment 3 years
- Freehold property 50 years
- Freehold improvements 3-5 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.

1.6 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 may be 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 design for, construction or testing of 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.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 Intangible assets (continued)

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Capitalised development costs 3 years
- Licences, copyright and technical information 10 years

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that an intangible asset may be impaired.

1.7 Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.8 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Notes *(continued)*

2 Accounting policies *(continued)*

1.9 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance expenses on finance 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).

Interest receivable and similar income includes 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. Foreign currency gains and losses are reported on a net basis.

1.10 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. The following 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.

1.11 Related party transactions

The company has taken advantage of the exemption under FRS 102 from disclosing transactions with members of the same group that are wholly owned.

Notes *(continued)*

2 Judgements in applying accounting policies and key sources of estimation uncertainty

The company makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

Impairment of investments

The company makes an estimate of the recoverable value of investments. When assessing impairment of investments, management considers factors including the underlying performance of the subsidiary.

Intangible assets

The company exercises judgement to determine useful lives and residual values of intangible fixed assets. The assets are amortised down to their residual values over their estimated useful lives.

3 Expenses and auditor's remuneration

Included in operating loss are the following:

	2019	2018
	£	£
Amortisation of intangible fixed assets	**800,903**	230,787
Depreciation of tangible fixed assets	**690,578**	389,910
Impairment in value of investments	**-**	9,610,001

Auditor's remuneration	**2019**	2018
	£	£
Audit of the company's financial statements	**3,600**	4,500

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Alcumus Group Limited.

4 Other operating income

	2019	2018
	£	£
Profit on disposal of tangible fixed assets	**7,572**	22,602

Notes *(continued)*

5 Staff numbers and costs

Staff costs were as follows:

	2019 £	2018 £
Wages and salaries	**5,825,686**	4,849,142
Social Security costs	**556,175**	622,449
Other pension costs	**188,341**	178,808
	6,570,202	5,650,399

The average number of employees during the year, including the Directors, was as follows:

	2019 Number	2018 Number
Sales and marketing	**8**	31
Management and administration	**114**	93
	122	124

6 Directors' remuneration

Certain Directors of the company were paid by other members of the group of which the company is a member. Amounts receivable by these Directors in respect of services provided to the company were estimated to be £1,000 *(2018: £1,000)*.

7 Interest payable and similar expenses

	2019 £	2018 £
Finance leases and hire purchase contracts	**157,083**	272,372
Interest on loan	**8,144,902**	5,701,446
Amortisation of deal costs	**608,001**	1,653,538
Other interest payable	**8,049**	47,666
	8,918,035	7,675,022

8 Interest receivable and similar income

	2019 £	2018 £
Bank interest receivable	**7,985**	20,005
Other interest receivable	**-**	30,904
	7,985	50,909

Notes *(continued)*

9 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax	-	-
Deferred tax		
Origination and reversal of timing differences	**30,976**	42,651
Adjustments in respect of previous periods	**63,495**	27,246
Tax rate changes	**(3,261)**	-
Total deferred tax	**91,210**	69,897
Total tax (all recognised in the Profit and Loss Account)	**91,210**	69,897

Reconciliation of effective tax rate

	2019 £	2018 £
Loss before tax	**(14,686,078)**	(20,721,210)
Tax using the UK corporation tax of 19% *(2018: 19%)*	**(2,790,355)**	(3,937,030)
Effects of:		
Expenses not deductible for tax purposes	**327,511**	2,049,026
Adjustments in respect of previous periods	**63,495**	27,246
Effective tax rate changes	**(3,261)**	-
Income not taxable for tax purposes	**(14,485)**	-
Fixed asset differences	**75,792**	-
Group relief surrendered without payment	**2,551,073**	1,930,655
Additional reduction for R&D expenditure	**(118,560)**	-
Total tax	**91,210**	69,897

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax balance as at 31 December 2019 has been calculated based on this rate. 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 company's future current tax charge and deferred tax balances accordingly.

Notes *(continued)*

10 Intangible assets

	Development costs £	Licences, copyright and technical information £	Total £
Cost or valuation			
At 1 January 2019	2,352,240	17,680	2,369,920
Additions	3,861,649	3,774	3,865,423
Disposals (to other group companies)	(3,627,627)	-	(3,627,627)
At 31 December 2019	**2,586,262**	**21,454**	**2,607,716**
Accumulated amortisation			
At 1 January 2019	1,763,002	8,236	1,771,238
Charge for the year	799,084	1,819	800,903
Disposals (to other group companies)	(658,213)	-	(658,213)
At 31 December 2019	**1,903,873**	**10,055**	**1,913,928**
Net book value			
At 31 December 2019	**682,389**	**11,399**	**693,788**
At 31 December 2018	589,238	9,444	598,682

11 Tangible assets

	Freehold property £	Freehold improvements £	Motor vehicles £	Fixtures, fittings and equipment £	Total £
Cost					
At 1 January 2019	3,300,000	927,103	183,940	1,131,167	5,542,210
Additions	-	2,185	534,288	316,662	853,135
Disposals	-	-	(31,250)	-	(31,250)
At 31 December 2019	**3,300,000**	**929,288**	**686,978**	**1,447,829**	**6,364,095**
Accumulated depreciation					
At 1 January 2019	121,968	344,266	90,071	667,929	1,224,234
Charge for the year	66,528	146,488	173,607	303,955	690,578
Disposals	-	-	(31,250)	-	(31,250)
At 31 December 2019	**188,496**	**490,754**	**232,428**	**971,884**	**1,883,562**
Net book value					
At 31 December 2019	**3,111,504**	**438,534**	**454,550**	**475,945**	**4,480,533**
At 31 December 2018	3,178,032	582,837	93,869	463,238	4,317,976

Notes *(continued)*

11 Tangible assets *(continued)*

Leased plant and machinery

At 31 December 2019 the depreciation charge in the period and net carrying amount of assets leased under a finance lease was as follows:

Group

	2019 Depreciation £	2018 Depreciation £	2019 Net book value £	2018 Net book value £
Motor vehicles	**173,607**	40,694	**454,550**	93,869
Fixtures & Fittings	**33,612**	35,722	**51,106**	2,816
	207,219	76,416	**505,656**	96,685

12 *Fixed asset investments*

The following were 100% subsidiary undertakings of the company at the year end:

Name	Registered office	Class of shares	Principal activity	Share capital and reserves £	Profit/ (loss) for the year £
Alcumus Sypol Limited (direct)	Note 1	Ordinary	Software	10,599,882	3,390,020
Alcumus Info Exchange Ltd (direct)	Note 1	Ordinary	Software	2,659,275	231,743
Alcumus ISOQAR Ltd (direct)	Note 1	Ordinary	Certification services	16,219,200	2,175,911
Alcumus PSM Ltd (direct)	Note 1	Ordinary	Accreditation	(12,387,491)	(3,542,761)
Santia Holdco Ltd (direct)	Note 1	Ordinary	Dormant	1	-
Alcumus Safecontractor Limited (direct)	Note 1	Ordinary	Accreditation	25,729,324	9,581,641
eCompliance Management Solutions Inc	Note 2	Ordinary	Software	9,341,791	(3,102,580)

Note 1) The registered office address of these entities is Axys House, Heol Crochendy, Parc Nantgarw, Cardiff, CF15 7TW.

Note 2) The registered office address of this entity is 111 Queen Street East, Toronto, Ontario, M5C 1S2, Canada

Notes *(continued)*

12 Fixed asset investments *(continued)*

	Investments in subsidiary companies £
Cost and net book value	
At 1 January 2019	42,161,654
Disposals	-
Acquisition	12,465,916
At 31 December 2019	54,627,570

On 9 July 2019, the Company disposed of its entire 100% direct shareholding in Alcumus HSE Limited. The investment was impaired during 2018.

On 30 July 2019, the Company acquired 100% of the ordinary share capital of 1216566 B.C. Ltd for total consideration of £12,465,916. This was equal to 1216566 B.C. Ltd's share capital, and no goodwill arose on the acquisition.

On 30 July 2019, 1216566 B.C. Ltd acquired 100% of the ordinary share capital of eCompliance Management Solutions Inc for total consideration of £26,203,000 including professional fees of £1,090,000.

On 31 July 2019, 1216566 B.C. Ltd and eCompliance Management Solutions Inc were amalgamated into one company, under the name eCompliance Management Solutions Inc ("eCompliance"). Post amalgamation, Alcumus Holdings Limited holds 100% of eCompliance's share capital.

13 Disposal of subsidiary undertakings

On 9 July 2019, the company disposed of its entire 100% shareholdings in Alcumus HSE Limited.

	£000
Net liabilities disposed of:	
Tangible fixed assets	384,779
Debtors	1,046,491
Cash	125
Creditors	(2,729,683)
Net liabilities disposed of	**(1,298,288)**
Costs incurred on disposal	1,025,084
Proceeds	1
Gain on disposal	**273,205**
Satisfied by:	
Cash	1

The result of the subsidiary up to the date of the disposal was a loss of £484,196.

Notes *(continued)*

14 Debtors

	2019 £	2018 £
Trade debtors	**436,612**	133,729
Amounts owed by group undertakings	**97,052,773**	61,435,116
Other debtors	**1,128,761**	81,403
Corporation tax	**255,954**	549,541
Prepayments and accrued income	**797,133**	660,455
	99,671,233	62,860,244

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

15 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	**554,177**	640,550
Amounts owed to group undertakings	**116,443,469**	53,970,614
Other taxation and social security	**401,810**	338,278
Obligations under finance leases	**608,848**	532,790
Other creditors	**200,782**	413,153
Loan interest payable	**-**	315,173
Accruals	**920,735**	3,014,706
	119,129,821	59,225,264

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

16 Creditors: amounts falling due after more than one year

	2019 £	2018 £
Shares classified as debt	**21,250**	21,250
Bank loans	**115,470,553**	114,837,010
Obligations under finance leases	**1,072,278**	1,318,982
	116,564,081	116,177,242

Bank loans are stated net of unamortised issue costs of £4,529,447 *(2018: £5,162,990)*.

There was a £120.0 million term loan facility in place at 31 December 2019. The bank loans outstanding at 31 December 2019 are due for repayment in full as follows:

- £90.0 million term loan facility, due 17 December 2025. Interest is charged at LIBOR plus 7% margin.
- £30.0 million term loan facility, due 17 June 2025. Interest is charged at LIBOR plus 2.75% margin.

Notes *(continued)*

17 Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:	2019	2018
	£	£
Within one year	**608,848**	532,790
Between 1-2 years	**397,233**	486,588
Between 2-5 years	**675,045**	832,394
	1,681,126	1,851,772

The obligations under finance leases and hire purchase contracts are secured on the related assets which are held in specific group entities. All lease obligations in relation to the group are now held in Alcumus Holdings Limited.

18 Deferred taxation

	Deferred taxation (asset)/liability
	£
At 1 January 2019	47,089
Credited to the profit and loss account	91,210
At 31 December 2019	**138,299**

The deferred tax balance is made up as follows:

	2019	2018
	£	£
Losses	(11,587)	(11,587)
Accelerated capital allowances	**156,659**	66,826
Short term temporary differences	(6,773)	(8,150)
Deferred tax liability/(asset)	**138,299**	47,089

19 Capital and reserves

	2019	2018
Called up share capital	**£**	£
Allotted, called up and fully paid		
187,500 *(2018: 187,500)* "A class" ordinary shares of £0.50 each	**93,750**	93,750
32,500 *(2018: 32,500)* "B class" ordinary shares of £1 each	**32,500**	32,500
8,750 *(2018: 8,750)* "C class" ordinary shares of £1 each	**8,750**	8,750
6,250 *(2018: 6,250)* "D class" ordinary shares of £1 each	**6,250**	6,250
15,000 *(2018: 15,000)* "E class" ordinary shares of £0.50 each	**7,500**	7,500
35,000 *(2018: 35,000)* "G class" ordinary shares of £0.50 each	**17,500**	17,500
10,425 *(2018: 10,425)* "H class" ordinary shares of £1 each	**10,425**	10,425
13,705 *(2018: 13,705)* "I class" ordinary shares of £0.01 each	**137**	137
	176,812	176,812

Notes *(continued)*

19 Capital and reserves *(continued*

"A class" 50p ordinary shares receive one vote each and rank pari passu with classes B, C, D, E and H, for dividends and rights to capital on liquidation. Only "A class" ordinary shares receive a vote during a Default Period, as defined by the company's Articles of Association.

"B class", "C class" and "H class" £1 ordinary shares receive one vote each and rank pari passu with classes A, D and E for dividends and rights to capital on liquidation.

"D class" and "E class" ordinary shares receive no vote and rank pari passu with classes A, B, C and H for dividends and rights to capital on liquidation.

"G class" 50p deferred shares receive no vote and have no rights to dividends or rights to capital on liquidation, other than return of the initial investment.

"I class" £0.01 ordinary shares receive one vote each and have no rights to dividends. In the event of a return of capital upon liquidation or otherwise the holders of "I class" ordinary shares are entitled to receive up to 5% of the amount available for distribution, in preference to the rights to capital of other share classes, subject to the amount available for distribution exceeding certain threshold amounts as defined in the company's articles of association.

Share premium account

The share premium account represents amounts received on the issue of share capital in excess of the nominal value of share capital, less any costs incurred as a result of the issue.

Share based payment reserve

The share based reserve represents accumulated costs of share based payments recorded in the Statement of Comprehensive Income but which do not result in a liability and so are added back in reserves.

20 Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	2019	2018
	£	£
Less than one year	**20,000**	48,000
Between one and five years	**-**	120,000
	20,000	168,000

During the year, £48,000 was recognised as an expense in respect of operating leases *(2018: £48,000)*.

21 Parent undertaking and controlling party

The immediate parent undertaking is Alcumus Bidco Limited, a company incorporated in the United Kingdom. The ultimate parent undertaking is Alcumus Group Limited, which is the only group to consolidate these financial statements. The consolidated financial statements of Alcumus Group Limited can be obtained from Axys House, Heol Crochendy, Parc Nantgarw, Cardiff, CF15 7TW.

The Directors do not consider there to be an ultimate controlling party. Funds managed by Inflexion Equity Partners LLP have an economic interest of 80% in the equity share capital of Alcumus Group Limited as at 31 December 2019.