

**Alcumus Group Limited**

**Annual report and consolidated  
financial statements**

**Registered number 09793309**

**For the 15 month period ended 31  
December 2016**

TUESDAY



\*A6AGBL5N\*

A10

11/07/2017

#364

COMPANIES HOUSE

## Contents

Company information	1
Strategic Report	2
Directors' Report	4
Statement of directors' responsibilities in respect of the Annual Report and the financial statements	6
Independent auditor's report to the members of Alcumus Group Limited	7
Consolidated Profit and Loss Account and Other Comprehensive Income	9
Consolidated Balance Sheet	10
Company Balance Sheet	11
Consolidated Statement of Changes in Equity	12
Company Statement of Changes in Equity	13
Consolidated Cash Flow Statement	14
Notes	15

## Company information

### Directors

M Williams	(appointed on incorporation)
F Kassi	(appointed on incorporation, resigned on 8 October 2015)
M Smith	(appointed on 9 October 2015)
R Swann	(appointed on 8 October 2015)
A Stringer	(appointed on 9 October 2015, resigned on 8 April 2016)
A Franklin	(appointed on 2 December 2015)
RS Halbert	(appointed on 2 December 2015)
K Coveñey	(appointed on 1 July 2016)

### Secretary

Mitre Secretaries Limited

### Company number

09793309 (England and Wales)

### Registered office

Cannon Place  
78 Cannon Street  
London  
EC4N 6AF

### Auditor

KPMG LLP  
3 Assembly Square  
Britannia Quay  
Cardiff  
CF10 4AX

## Strategic Report

The directors present the Strategic Report on the Alcumus group for the period ended 31 December 2016.

The company was incorporated on 24 September 2015, and changed its name from Alcumus Topco Limited to Alcumus Group Limited on 4 February 2016. During the period the company extended its accounting reference period ending 30 September 2016 so as to end on 31 December 2016. These accounts therefore cover the 15 month period from 24 September 2015 to 31 December 2016.

### Business review and future developments

2016 was another year of significant development, both strategically and operationally for Alcumus. In October 2015 the Company, backed by funds from Inflexion Private Equity and Alcentra, completed the £92m acquisition of the Alcumus Group, which was closely followed in December 2015 by the £49m acquisition of Santia Holdings Limited.

With these developments, Alcumus became the UK's market-leading provider of technology-enabled business assurance and compliance risk management solutions. As planned we made significant progress in 2016 blending the Alcumus and Santia businesses together into a single branded and single technology group, with double digit organic revenue growth. We took the opportunity during 2016 to divest our Asbestos Management and Occupational Health businesses. These are both strong and growing businesses but have a different strategic direction and modus operandi to Alcumus. We continue to work together closely to service common clients. These operations are shown as discontinued activities.

In 2016, Alcumus integrated the former Alcumus and Santia operations into one aligned operating business. We started to realise commercial synergies through sharing clients and cross selling initiatives, at the same time as continuing to deliver strong organic growth, focusing on services and sectors with the following characteristics:

- High visibility recurring revenues that are subscription based or are repeatable in nature
- High quality delivery, meeting regulatory-driven client needs
- High customer renewal rates and retention rates
- Technology enabled services (both client facing and back office)
- Strong cash generation properties

The Group operates in two key divisions, namely Business Assurance and Compliance Risk Management.

The Business Assurance division includes our Alcumus ISOQAR business, the UK's fastest growing UKAS accredited certification body specialising in ISO certifications, and our Alcumus SafeContractor business, one of the largest and the fastest growing health and safety accreditation schemes. The aggregate revenue for this division in the 15 month period to 31 December 2016 was £23.1m.

The Compliance Risk Management division includes Alcumus Info Exchange, Alcumus COSHH and Alcumus HSE business (formed from the merger of the former Alcumus SM&MS, Alcumus PSM and Santia HSE business). This division delivers compliance SaaS systems, COSHH risk management services and health and safety management, risk assessment and consultancy services. The aggregate revenue for this division in the 15 month period ended 31 December 2016 was £36.4m.

In our annual financial statements for the 15 months ended 31 December 2016 we delivered revenues of £59.6m, and produced an adjusted EBITDA of £16.3m (before one-time, non-repeatable costs of £2.9m).

## Strategic Report *(continued)*

### Business review and future developments *(continued)*

Alcumus supports over 36,000 clients both in the UK and internationally. Our services have leading market positions, including the UK's fastest growing UKAS accredited Certification Body, the UK's leading and fastest growing contractor accreditation scheme, the most innovative and highly configurable SaaS compliance software, which is used by 35% of the FTSE 100, and the UK's leading chemical safety, property, construction and manufacturing HSE service provider. We provide outsourced risk management services which are critical to compliance with UK regulations, internationally recognised standards and recognised contractor and supply chain accreditation. We support our clients to manage their exposure to risk, comply with the latest regulations, improve their business performance and encourage workforce engagement. Our customers continue to choose Alcumus for our considerable industry experience, sector knowledge and the breadth of support we provide.

Alcumus has a growing share of the fragmented UK market, which we estimate to be growing by 10% per annum. Favourable market conditions are driven by a continuous regulatory and standards evolution and increased expenditure on compliance measures.

Our balance sheet is robust with long term funding from both Inflexion Private Equity and Alcentra, of £69.2m and £69.0m respectively. Our balance sheet, in common with many private equity backed companies, is complex, but with our long term funding prudently structured, and excellent and growing operating performance by the group, our working capital and overall financial position is particularly strong.

Looking forward, we enter 2017 in good health. We expect another year of significant organic and above market growth. We continue to track ahead of our double-digit organic growth targets, and operating margins in excess of 30%. We are well capitalised and supported, and expect to take advantage of future consolidation opportunities in due course.

Finally, we would like to thank all of our staff for their continued outstanding performance and contribution to our progress. 2016 has been a year of considerable challenge and progress and we look forward to 2017 with excitement and enthusiasm.

### Principal risks and uncertainties

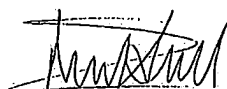
The execution of the group's strategy is subject to a number of risks and uncertainties. Principal among these is the risk of reduced demand for compliance and certification services resulting from Brexit and potential adverse changes in the regulatory or commercial environments. In mitigation of such risks, the group keeps under continuous review the relevance of its products and services to the prevailing regulatory and commercial environments. These risks are also mitigated through the group's strategy of multi-year subscription periods and service revenue cycles.

### Financial key performance indicators

The directors monitor a number of key performance indicators across the group. Financial key indicators include the turnover and gross profit margin of the group (64% on continuing business) and adjusted EBITDA (£16.3m before one-time, non-repeatable costs of £2.9m).

Key non-financial indicators that management review on a monthly basis both at subsidiary and group level include customer retention rates which average in excess of 95% across the group.

By order of the board



M Smith  
Director

7 July 2017

## Directors' Report

The directors present their report with the financial statements of the group and company for the period ended 31 December 2016.

### Principal activities

The Alcumus Group 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 proposed dividends

The loss for the financial period amounted to £23,956,000.

The directors do not recommend the payment of a dividend.

### Directors

The directors who held office during the period were as follows:

M Williams	(appointed on incorporation)
F Kassi	(appointed on incorporation, resigned on 8 October 2015)
M Smith	(appointed on 9 October 2015)
R Swann	(appointed on 8 October 2015)
A Stringer	(appointed on 9 October 2015, resigned on 8 April 2016)
A Franklin	(appointed on 2 December 2015)
RS Halbert	(appointed on 2 December 2015)
K Coveney	(appointed on 1 July 2016)

### Financial risk management

The group's operations expose it to a variety of financial risks that include the effects of changes in market prices, credit risk, liquidity risk and interest rate cash flow risk.

#### *Price risk*

The group's cost base is dominated by staff costs and costs of associates. Accordingly it is not significantly exposed to commodity price risk as a result of its operations.

#### *Credit risk*

The group has a very diverse customer base, with limited concentration, resulting in low exposure to credit risk. The group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparts is subject to a limit, which is kept under continual review in the light of payment history and trading volumes.

#### *Liquidity risk*

The group manages its liquidity through regular cash forecasting to ensure it has sufficient available funds for operations and planned expansions.

#### *Interest rate cash flow risk*

The group's financial instruments comprise fixed and floating rate borrowings, the main purpose of which is to finance acquisitions. The group has a good degree of cover against its bank covenants and these are monitored on a monthly basis.

## **Directors' Report** *(continued)*

### **Future developments and going concern**

Future developments and going concern consideration have been outlined within the strategic report.

### **Employees**

The company recognises the benefit of keeping employees informed of the progress of the business and of involving them in the company's performance and, accordingly, maintains regular communications with employees and has well established consultation arrangements.

### **Disabled employees**

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

### **Qualifying third party indemnity provisions**

Professional indemnity cover for the purpose of the Companies Act 2006 has been taken out with a reputable insurance broker, and has been in place throughout the year and up to the date of signing these financial statements.

### **Auditor**

During the period, KPMG LLP was appointed as 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.



**K Coveney**  
*Director*

Cannon Place  
78 Cannon Street  
London  
EC4N 6AF

7 July 2017

## **Statement of directors' responsibilities in respect of the Annual 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 group and parent company 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent 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;
- 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 group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.





## KPMG LLP

3 Assembly Square  
Britannia Quay  
Cardiff CF10 4AX  
United Kingdom

### **Independent auditor's report to the members of Alcumus Group Limited**

We have audited the financial statements of Alcumus Group Limited for the period ended 31 December 2016 set out on pages 9 to 35. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's loss for the 15 month period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

**Independent auditor's report to the members of Alcumus Group Limited**  
*(continued)*

**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



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

**11** July 2017

**Consolidated Profit and Loss Account and Other Comprehensive Income**  
*for the period ended 31 December 2016*

	<i>Note</i>	Continuing £000	Discontinued £000	15 month period ended 31 December 2016 Total £000
<b>Turnover</b>	<i>1, 2</i>	49,251	10,312	59,563
<b>Cost of sales</b>		(17,921)	(7,218)	(25,139)
<b>Gross profit</b>		31,330	3,094	34,424
Administrative expenses		(39,302)	(1,892)	(41,194)
Other operating income – net gain on disposal of tangible fixed assets		28	-	28
<b>Operating loss</b>		(7,944)	1,202	(6,742)
Profit on disposal of operations	<i>18</i>	1,404	-	1,404
Interest receivable and similar income		5	-	5
Interest payable and similar charges	<i>6</i>	(18,606)	-	(18,606)
<b>Loss before taxation</b>	<i>3-5</i>	(25,141)	1,202	(23,939)
Taxation	<i>7</i>	(17)	-	(17)
<b>Loss for the financial period</b>		(25,158)	1,202	(23,956)

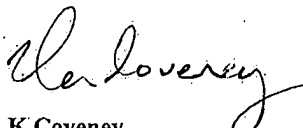
There is no other comprehensive income for the period.

The notes on pages 15 to 35 form part of these financial statements.

**Consolidated Balance Sheet**  
*at 31 December 2016*

	<i>Note</i>	<b>31 December 2016</b>	
		<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>			
<i>Intangible assets</i>			
Goodwill	8		90,671
Other intangibles	9		39,542
			<hr/>
			130,213
Tangible assets	10		5,054
			<hr/>
			135,267
<b>Current assets</b>			
Debtors (including £3,350,000 due in more than one year)	12	11,042	
Cash at bank and in hand		2,690	
		<hr/>	
		13,732	
Creditors: amounts falling due within one year	13	(15,716)	
		<hr/>	
<b>Net current liabilities</b>			(1,984)
			<hr/>
<b>Total assets less current liabilities</b>			133,283
Creditors: amounts falling due after more than one year	14		(149,356)
Provisions for liabilities	15		(6,444)
			<hr/>
<b>Net liabilities</b>			(22,517)
			<hr/>
<b>Capital and reserves</b>			
Called up share capital	19		18
Share premium account	19		1,424
Profit and loss account			(23,959)
			<hr/>
<b>Shareholders' deficit</b>			(22,517)
			<hr/>

These financial statements were approved by the board of directors on **7** July 2017 and were signed on its behalf by:

  
**K. Coveney**  
Director

Company registered number: 09793309

The notes on pages 15 to 35 form part of these financial statements.

**Company Balance Sheet**  
*at 31 December 2016*

	<i>Note</i>	31 December 2016	
		£000	£000
<b>Fixed assets</b>			
Investments	11		771
<b>Current assets</b>			
Debtors	12	2,504	
Cash at bank			
		<u>2,504</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(1,860)</u>	
<b>Net current assets</b>			<u>644</u>
<b>Net assets</b>			<u><u>1,415</u></u>
<b>Capital and reserves</b>			
Called up share capital	19		18
Share premium account	19		1,424
Profit and loss account			<u>(27)</u>
<b>Shareholders' funds</b>			<u><u>1,415</u></u>

These financial statements were approved by the board of directors on 7 July 2017 and were signed on its behalf by:

  
**K Coveney**  
*Director*

Company registered number: 09793309

The notes on pages 15 to 35 form part of these financial statements.

**Consolidated Statement of Changes in Equity**  
*for the period ended 31 December 2016*

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance on incorporation (24 September 2015)	-	-	-	-
<b>Comprehensive income for the financial period</b>				
Loss for the financial period	-	-	(23,956)	(23,956)
<b>Total comprehensive income for the financial period</b>	-	-	(23,956)	(23,956)
<b>Transactions with owners, recorded directly in equity</b>				
Issue of shares	18	-	-	18
Premium on share issue	-	1,424	-	1,424
Own shares acquired	-	-	(3)	(3)
	18	1,424	(3)	1,439
<b>At 31 December 2016</b>	18	1,424	(23,959)	(22,517)

**Company Statement of Changes in Equity**  
*for the period ended 31 December 2016.*

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance on incorporation (24 September 2015)	-	-	-	-
Comprehensive income for the financial period				
Loss for the financial period	-	-	(24)	(24)
<b>Total comprehensive income for the financial period</b>	<b>-</b>	<b>-</b>	<b>(24)</b>	<b>(24)</b>
Transactions with owners, recorded directly in equity				
Issue of shares	18	-	-	18
Premium on share issue	-	1,424	-	1,424
Own shares acquired	-	-	(3)	(3)
	18	1,424	(3)	1,439
<b>At 31 December 2016</b>	<b>18</b>	<b>1,424</b>	<b>(27)</b>	<b>1,415</b>

**Consolidated Cash Flow Statement**  
*for period ended 31 December 2016*

	15 month period ended 31 December 2016 £000
<b>Cash flows from operating activities</b>	
Loss for the period	(23,956)
<i>Adjustments for:</i>	
Depreciation, amortisation and impairment	18,703
Share based payment charge	220
Interest receivable and similar income	(5)
Interest payable and similar charges	18,606
Gain on sale of tangible fixed assets	(28)
Gain on sale of discontinued operations	(1,404)
Taxation	17
	<hr/>
(Increase) in trade and other debtors	12,153
(Decrease) in trade and other creditors	(1,377)
	<hr/>
	(8,720)
Tax paid	(1,256)
	<hr/>
<b>Net cash from operating activities</b>	<b>(9,976)</b>
	<hr/>
<b>Cash flows from investing activities</b>	
Proceeds from sale of tangible fixed assets	66
Interest received	2
Proceeds from disposal of a subsidiary	-
Acquisition of a subsidiary	(79,714)
Acquisition of tangible fixed assets	(520)
Acquisition of other intangible assets	(688)
	<hr/>
<b>Net cash from investing activities</b>	<b>(80,854)</b>
	<hr/>
<b>Cash flows from financing activities</b>	
Proceeds from the issue of share capital	1,221
Proceeds from new loans and loan notes	115,974
Repurchase of own shares	(2)
Interest paid	(8,313)
Repayment of borrowings	(18,305)
Payment of debt issue costs	(2,049)
Payment of finance lease liabilities	-
	<hr/>
<b>Net cash from financing activities</b>	<b>88,526</b>
	<hr/>
Net (decrease) in cash and cash equivalents	(2,304)
Cash acquired with acquisitions of subsidiaries	5,498
Cash disposed of with sale of subsidiaries	(504)
Cash and cash equivalents on incorporation	-
	<hr/>
<b>Cash and cash equivalents at 31 December 2016</b>	<b>2,690</b>



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Alcumus Group Limited (the "Company") is a private company incorporated, domiciled and registered in England and Wales.

These Group and parent company 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*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.
- 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 25.

#### *Measurement convention*

The financial statements are prepared on the historical cost basis except for assets and liabilities which FRS 102 requires to be stated at their fair value.

#### *Going concern*

The directors have considered the use of the going concern basis in the preparation of the group and company financial statements in light of the current financial position of the group and company and their related forecast cash flows. Notwithstanding net current liabilities of £1,984,000, they have concluded that it is appropriate at the date of signing the financial statements. In forming this conclusion, the directors have considered that the group and company are forecast to continue their profitability and generate positive operating cash flows in the forthcoming financial year and for the foreseeable future, thus enabling it to meet its financial obligations as they fall due.

After making enquiries, the directors have concluded that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Basis of consolidation*

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2016. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries, are carried at cost less impairment.

#### *Foreign currency*

Transactions in foreign currencies are translated to the Group companies' 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. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

#### *Classification of financial instruments issued by the group*

In accordance with FRS 102.22, financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and
- (b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

#### *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)

#### Basic financial instruments (continued)

##### Cash and cash equivalents

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

##### 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 entity 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. Lease payments are accounted for as described in "Expenses" below.

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

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

- Freehold property 50 years
- Plant and equipment 3 years
- Fixtures and fittings 3 years
- Motor vehicles 4 years
- Leasehold improvements 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.

##### Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Business combinations (continued)*

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill. Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

#### *Intangible assets and goodwill*

##### *Goodwill*

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

##### *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*

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred. Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible assets acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

##### *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:

- Accreditation 15 years
- Customer relationships 8 – 13 years
- Brand 14 – 16 years
- Technology and software 3 – 15 years
- Development costs 3 years

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 10 years.

Accreditation and technology were valued using the cost to recreate approach. Customer relationships were valued using a multi-period excess earning method approach. Brands were valued using the relief from royalty approach.

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.

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

## Notes (continued)

### 1 Accounting policies (continued)

#### Impairment

##### *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 entity's non-financial 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"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss recognised for goodwill is not reversed. Impairment losses recognised for other assets is reversed only if the reasons for the impairment have ceased to apply.

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.

## Notes (continued)

### 1 Accounting policies (continued)

#### *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.

##### *Provisions*

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

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

##### *Turnover*

Turnover represents sale of subscription services, audit and certification services, and consultancy and training services. Income is recognised when the service has been supplied to the customer. Any amounts invoiced where the service is to be provided in a future period are included in deferred income. Turnover is stated net of value added tax and trade discounts.

##### *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 charges include, where applicable, interest payable, finance charges on shares classified as liabilities and 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 include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

## Notes (continued)

### 1 Accounting policies (continued)

#### 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; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. 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 provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

#### Discontinued operations

Discontinued operations are components of the group that have been disposed of at the reporting date and previously represented a separate major line of business or geographical area of operation or were subsidiaries acquired exclusively with a view to resale.

They are included in the profit and loss account in a separate column for the current and comparative periods, including the gain or loss on sale or impairment loss on abandonment.

### 2 Turnover

An analysis of turnover by class of business and by country of classification is as follows:

	Continuing operations £000	Discontinued operations £000	Period ended 31 December 2016 £000
Compliance risk management	26,136	10,312	36,448
Business assurance	23,115	-	23,115
	<u>49,251</u>	<u>10,312</u>	<u>59,563</u>
	Continuing operations £000	Discontinued operations £000	Period ended 31 December 2016 £000
United Kingdom	47,875	10,312	58,187
Rest of the world	1,376	-	1,376
	<u>49,251</u>	<u>10,312</u>	<u>59,563</u>

## Notes (continued)

### 3 Expenses and auditor's remuneration

Included in the loss for the financial period are the following:

	15 month period ended 31 December 2016 £000
Depreciation of tangible fixed assets	1,286
Amortisation of goodwill	12,599
Amortisation of other intangible fixed assets	4,818
<i>Auditor's remuneration:</i>	
Audit of these financial statements	20
Audit of financial statements of subsidiaries	98
Other services relating to taxation	40
Non-recurring costs (see note below)	2,905
Operating lease rentals:	
- land & buildings	198
- other	9
	<hr/>

The non-recurring costs relate to integration of the Alcumus and Santia businesses, divestment of non-core operations, strategic pricing review and corporate refinancing.

### 4 Staff numbers and costs

The average number of staff employed by the group, including directors, during the period was:

	15 month period ended 31 December 2016 £000
Auditors	139
Consultants	151
Helpdesk	25
Sales and marketing	21
Management and administration	145
	<hr/>
	481
	<hr/>

The aggregate payroll costs of the above were:

	15 month period ended 31 December 2016 £000
Wages and salaries	21,659
Social security costs	2,404
Other pension costs	819
Share based payments	220
	<hr/>
	25,102
	<hr/>



## Notes (continued)

### 4 Staff numbers and costs (continued)

The compensation for key management personnel totalled £970,000.

Certain directors and members of management were issued C class ordinary shares during the period. A share based payment charge of £220,000 has been recognised in the period representing the fair value of the shares issued less the amount paid by management on issue. As the shares have been issued and there are no forfeiture restrictions applied, including no requirement to complete a specified period of service before becoming unconditionally entitled to the share based payment, then it is considered that the related services have been received in full and the share based payment vests immediately. As a result, the share based payment charge has been recognised in full in the profit and loss for the period with a corresponding entry reflected in share premium.

### 5 Remuneration of directors

	15 month period ended 31 December 2016 £000
Directors' emoluments	743
Company contributions to defined contribution pension schemes	61
Share based payment charge	166

Directors' emoluments represent amounts receivable by the directors of Alcumus Group Limited for qualifying services to the Alcumus group as whole during the period.

The highest paid director received remuneration of £190,000. The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £24,000. The director was also provided with shares at a value which generated a share based payment charge of £90,000.

Five directors are accruing amounts under money purchase schemes.

### 6 Interest payable and similar charges

	15 month period ended 31 December 2016 £000
On loan notes	11,743
On bank loans and overdrafts	6,396
On finance lease obligations	18
Amortisation of debt issue costs	449
	18,606

**Notes (continued)**

**7 Taxation**

**Total tax expense recognised in the profit and loss account**

	15 month period ended 31 December 2016 £000
<i>Current tax</i>	
UK corporation tax on income for the period	953
Adjustments in respect of prior periods	(141)
	<hr/>
Total current tax	812
<i>Deferred tax (see note 15)</i>	
Origination and reversal of timing differences	(823)
Adjustments in respect of prior periods	28
	<hr/>
	(795)
	<hr/>
Total tax (all recognised in the Profit and Loss account)	17
	<hr/>

**Reconciliation of effective tax rate**

	2016 £000
Loss for the year	(23,956)
Total tax expense	17
	<hr/>
Loss excluding taxation	(23,939)
	<hr/>
Tax using the UK corporation tax rate of 20%	(4,788)
Tax rate differences	162
Non-deductible expenses	2,477
Depreciation on assets ineligible for capital allowances	21
Current year losses for which no deferred tax asset was recognised	2,258
Adjustments in respect of prior periods	(113)
	<hr/>
Total tax expense included in profit or loss	17
	<hr/>

The applicable tax rate for the period is based on the UK standard rate of corporation tax of 20%. The enacted UK tax rate applicable from 1 April 2017 is 19% and from 1 April 2020 is 17%. This will reduce the company's future current tax charge accordingly. The deferred tax balance at 31 December 2016 has been calculated based on these rates.

## Notes (continued)

### 8 Goodwill

Group	Goodwill £000
<i>Cost</i>	
On incorporation	-
Acquisitions through business combinations:	
Santia Holdco Limited (note 17)	28,307
Alcumus Holdings Limited (note 16)	72,271
Existing goodwill acquired on acquisition of Santia Holdco Ltd (note 17)	3,619
Disposed of on sale of subsidiaries	(1,081)
	<hr/>
At 31 December 2016	103,116
	<hr/>
<i>Amortisation</i>	
On incorporation	-
Amortisation for the period	12,599
Released on sale of subsidiaries	(154)
	<hr/>
At 31 December 2016	12,445
	<hr/>
Net book value	
At 31 December 2016	90,671
	<hr/>

### 9 Other intangible fixed assets

Group	Accreditation £000	Customer relationships £000	Brand £000	Technology and software £000	Total £000
<i>Cost</i>					
Balance on incorporation	-	-	-	-	-
Acquisitions through business combinations (notes 16 and 17)	2,558	28,662	9,945	1,497	42,662
Acquired with acquisition of subsidiaries	-	-	35	975	1,010
Additions	-	-	-	688	688
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	2,558	28,662	9,980	3,160	44,360
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Amortisation and impairment</i>					
Balance on incorporation	-	-	-	-	-
Amortisation for the period	209	3,275	778	556	4,818
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	209	3,275	778	556	4,818
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
On incorporation	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	2,349	25,387	9,202	2,604	39,542
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Amortisation is recognised in administrative expenses.

**Notes (continued)**

**10 Tangible fixed assets**

	Freehold property £000	Leasehold property £000	Motor vehicles £000	Fixtures, fittings and equipment £000	Total £000
<i>Group</i>					
<i>Cost</i>					
On incorporation	-	-	-	-	-
Acquisition through business combinations	4,030	65	986	754	5,835
Additions	-	-	318	254	572
Disposals	-	-	(194)	(18)	(212)
Disposed of with subsidiary	-	-	(31)	(31)	(62)
Balance at 31 December 2016	4,030	65	1,079	959	6,133
<i>Depreciation</i>					
On incorporation	-	-	-	-	-
Charge for the period	109	47	503	627	1,286
Released on disposals	-	-	(172)	(2)	(174)
Disposed of with subsidiary	-	-	(14)	(19)	(33)
At 31 December 2016	109	47	317	606	1,079
<i>Net book value</i>					
At 31 December 2016	3,921	18	762	353	5,054
On incorporation	-	-	-	-	-

*Leased plant and machinery*

At 31 December 2016 the net carrying amount of assets leased under a finance lease was as follows.

Group	2016 £000
Leasehold properties	18
Motor vehicles	540
Fixtures, fittings and equipment	110
	668

The leased equipment secures lease obligations.

## Notes (continued)

### 11 Fixed asset investments

	Shares in group undertakings £000
Company	
On incorporation	
Additions	771
	<hr/>
At 31 December 2016	771
	<hr/>

The investment in shares in the company's subsidiary undertaking, Alcumus Midco Limited, was undertaken during the period initially on incorporation of Alcumus Midco Limited on 24 September 2015 with a single £1 ordinary subscriber share with additional shares later allotted at par on 9 October 2015. In the opinion of the directors the investment in its subsidiary undertaking is not worth less than the value shown in the financial statements.

Details of the subsidiaries can be found under note 24. All subsidiaries have been included in the consolidation.

### 12 Debtors

	31 December 2016 Group £000	Company £000
<i>Due within one year</i>		
Trade debtors	6,446	-
Other debtors	245	-
Prepayments and accrued income	1,001	-
Amount owed by group undertakings	-	2,504
	<hr/>	<hr/>
	7,692	2,504
<i>Due after more than one year</i>		
Other debtors	3,350	-
Amount owed by group undertakings	-	-
	<hr/>	<hr/>
	11,042	2,504
	<hr/>	<hr/>

Included in other debtors due after more than one year is an amount due from Santia Asbestos Management Limited. As part of the disposal of this company from the Alcumus group, the group loaned the company £3,500,000. Of this amount, £150,000 is due in less than one year and the remainder is due in more than one year. Interest is charged at 3% for the first year, 8% for the second year and 13% thereafter.

### 13 Creditors: amounts falling due within one year

	31 December 2016 Group £000	Company £000
Trade creditors	704	-
Obligations under finance leases	904	-
Corporation tax	812	-
Amounts owed to group undertakings	-	1,838
Social security and other taxes	1,786	-
Other creditors	85	-
Accruals	2,123	22
Deferred income	9,302	-
	<hr/>	<hr/>
	15,716	1,860
	<hr/>	<hr/>

## Notes (continued)

### 14 Creditors: amounts falling due after more than one year

	31 December 2016	
	Group £000	Company £000
Shareholder loan notes	69,182	-
Bank loans	68,951	-
Government grant	930	-
Accruals	10,293	-
	<u>149,356</u>	<u>-</u>

Included within the above are amounts falling due as follows:

	31 December 2016	
	Group £000	Company £000
In two to five years	95,443	-
In more than five years	53,913	-
	<u>149,356</u>	<u>-</u>

Bank loans are stated net of unamortised issue costs of £2,049,000.

As part of the financing arrangements relating to the acquisition of the Alcumus Group by Inflexion Private Equity Partners LLP on 9 October 2015, a group company (Alcumus Midco Limited) issued initial shareholder loan notes to Inflexion and management for an amount of £49.6 million. Further loan notes amounting to £30.6m were issued on 30 November 2015 in relation to the subsequent acquisition of Santia Holdco Limited by another group company, Alcumus Holdings Limited.

On 5 October 2016, the company listed £78.2m worth of shareholder loan notes on the Channel Islands Securities Exchange ("CISX"), with £10.6m subsequently being repaid leaving £67.6m remaining as at 31 December 2016. In addition to the loan notes listed in CISX, there is a series of management loan notes totaling £1.6m as at 31 December 2016.

The loan notes are due for repayment in three equal instalments of £23,061,000 on 31 December 2021, 31 December 2022 and 31 December 2023. Interest is charged on all loan notes at 12% and is repayable in instalments on the same dates as the loan principal.

The bank loan is due for repayment in full on 19 December 2021. Interest is charged at 8%.

The government grant was awarded for an indefinite period, but after the year end the grant has been repaid in full.

**Notes (continued)**

**15 Deferred taxation**

	2016 £000
On incorporation	-
Acquired through business combinations	7,239
Recognised in the Profit and Loss Account for the period	(795)
	<hr/>
At 31 December 2016	6,444 <hr/>

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2016 £000	Liabilities 2016 £000	Net 2016 £000
Arising on business combinations	-	6,508	6,508
Capital allowances	(50)	-	(50)
Unused tax losses	(12)	-	(12)
Other timing differences	(2)	-	(2)
	<hr/>	<hr/>	<hr/>
Net tax (assets) / liabilities	(64)	6,508	6,444 <hr/>

In addition to the deferred tax assets and liabilities above, the Group has unrecognised deferred tax assets totalling £1,102,000, in respect of tax losses (£837,000), capital allowances (£252,000) and other timing differences (£13,000). The deferred tax asset has not been recognised in the financial statements on the grounds that there is insufficient evidence that the asset will be recovered.

**Company**

There are no deferred tax balances in relation to the Company.

## Notes (continued)

### 16 Acquisitions – Alcumus Holdings Limited

On 9 October 2015, the Group acquired 100% of the ordinary share capital of Alcumus Holdings Limited for total consideration of £55,479,000, including professional fees of £5,206,000. Full details of the consideration and the fair value of the net liabilities acquired and the goodwill arising are given below:

Acquiree's net liabilities at the acquisition date:			
	Book Value £000	Fair value adjustments £000	Recognised acquisition value £000
<b>Fixed assets</b>			
Intangible	384	26,267	26,651
Tangible fixed assets	2,371	-	2,371
	<u>2,755</u>	<u>26,267</u>	<u>29,022</u>
<b>Current assets</b>			
Debtors	7,781	-	7,781
Cash at bank and in hand	4,654	-	4,654
	<u>15,190</u>	<u>26,267</u>	<u>41,457</u>
<b>Creditors</b>			
Due within one year	(11,619)	-	(11,619)
Due after more than one year	(42,178)	-	(42,178)
Provisions	13	(4,465)	(4,452)
	<u>(53,784)</u>	<u>(4,465)</u>	<u>(58,249)</u>
<b>Net identifiable assets and liabilities</b>	<u>(38,594)</u>	<u>21,802</u>	<u>(16,792)</u>
<b>Total cost of business combination</b>			
Cash			49,248
Loan notes			1,025
Costs directly attributable to the business combination			5,206
			<u>55,479</u>
<b>Goodwill on acquisition</b>			<u>72,271</u>

The fair value adjustments relate to the value of intangible assets acquired which were not recognised in the book value of assets acquired.

Since acquisition, Alcumus Holdings Limited and its subsidiaries have generated turnover of £30,878,000 and a loss of £2,916,000.



## Notes (continued)

### 17 Acquisitions – Santia Holdco Limited

On 1 December 2015, the Group acquired 100% of the ordinary share capital of Santia Holdco Limited for total consideration of £25,460,000, including professional fees of £3,037,000. Existing debt liabilities of £23,628,000 within Santia Holdco Limited were settled as part of the transaction. Full details of the consideration and the fair value of the net liabilities acquired and the goodwill arising are given below:

Acquiree's net liabilities at the acquisition date:	Book value £000	Fair value adjustments £000	Recognised acquisition value £000
<b>Fixed assets</b>			
Goodwill	3,619	-	3,619
Intangible	626	16,395	17,021
Tangible fixed assets	3,464	-	3,464
	<u>7,709</u>	<u>16,395</u>	<u>24,104</u>
<b>Current assets</b>			
Stocks	54	-	54
Debtors	4,037	-	4,037
Cash at bank and in hand	844	-	844
	<u>12,644</u>	<u>16,395</u>	<u>29,039</u>
<b>Creditors</b>			
Due within one year	(28,005)	-	(28,005)
Due after more than one year	(1,094)	-	(1,094)
Provisions	-	(2,787)	(2,787)
	<u>(29,099)</u>	<u>(2,787)</u>	<u>(31,886)</u>
<b>Total liabilities</b>			
	<u>(29,099)</u>	<u>(2,787)</u>	<u>(31,886)</u>
<b>Net identifiable assets and liabilities</b>	<u>(16,455)</u>	<u>13,608</u>	<u>(2,847)</u>
<b>Total cost of business combination</b>			
Cash			22,223
Loan notes			200
Costs directly attributable to the business combination			3,037
			<u>25,460</u>
<b>Total consideration</b>			<u>25,460</u>
<b>Goodwill on acquisition</b>			<u>28,307</u>

The fair value adjustments relate to the value of intangible assets acquired which were not recognised in the book value of assets acquired.

Since acquisition, Santia Holdco Limited and its subsidiaries have generated turnover of £28,685,000 and a profit of £5,527,000.

## Notes (continued)

### 18 Disposal of subsidiary undertakings

On 31 December 2016 the group disposed of its entire 100% shareholding in Santia Asbestos Management Limited and its subsidiary, First Order Red Limited.

Net liabilities disposed of	2016 £000
Goodwill	927
Tangible fixed assets	29
Stock	24
Debtors	2,185
Cash	504
Creditors	(5,068)
Provisions	(5)
	<hr/>
Profit on disposal	(1,404) 1,404
	<hr/>
Proceeds	-
	<hr/>
Satisfied by	
Cash	-
	<hr/>

The result of the subsidiaries up to the date of the disposal was a profit of £1,202,000 which has been included in the consolidated profit and loss account.

### 19 Share capital and share premium

	31 December 2016 £000
<i>Allotted, called up and fully paid</i>	
1,177,147 A ordinary shares of £0.01 each	12
16,266 B1 ordinary shares of £0.20 each	3
17,604 B2 ordinary shares of £0.01 each	-
63,250 C1 ordinary shares of £0.015 each	1
161,120 C2 ordinary shares of £0.01 each	2
	<hr/>
	18
	<hr/>

The A ordinary shares were issued for £1 each. The B1 ordinary shares were issued for £1 each. The B2 shares were issued for £1 each. The C1 shares were issued at par. Of the 161,120 C2 shares, 22,141 were issued at £0.40 each and the remainder were issued at par.

The C1 and C2 share issues were issued to certain members of management at a value less than their fair value, and accordingly a share based payment charge of £220,000 has also arisen (see note 4).

The above events led to a total share premium of £1,424,000.

During the period there was also a share buy-back of 7,048 C2 shares from a shareholder leaving the business for consideration of £2,467, being the market value of £0.35 at the time of purchase. The buy-back represented 4% of the C2 shares prior to purchase and subsequent cancellation.

## Notes (continued)

### 19 Share capital and share premium (continued)

Ordinary A shares have equal rights in respect of voting, dividends and distributions attached to all shares. Ordinary A shares are non-redeemable.

Ordinary B1 shares have equal rights in respect of voting (subject to a maximum of 5% of total votes) in accordance with the provisions of Article 14.3 of the company's Articles of Association. These shares have equal rights in respect of dividends and they also rank immediately after the 'A' shares on a distribution of capital. Ordinary B1 shares are non-redeemable.

Ordinary B2 shares have equal rights in respect of voting in accordance with the provisions of Article 14.3 of the company's Articles of Association. These shares have equal rights in respect of dividends and they also rank immediately after the 'A' shares on a distribution of capital. Ordinary B2 shares are non-redeemable.

Ordinary C1 shares have equal rights in respect of voting (subject to a maximum of 5% of total votes) in accordance with the provisions of Article 14.3 of the company's Articles of Association. These shares have equal rights in respect of dividends and they also rank immediately after the 'A' shares on a distribution of capital. Ordinary C1 shares are non-redeemable.

Ordinary C2 shares have equal rights in respect of voting in accordance with the provisions of Article 14.3 of the company's Articles of Association. These shares have equal rights in respect of dividends and they also rank immediately after the 'A' shares on a distribution of capital. Ordinary C2 shares are non-redeemable.

### 20 Pension commitments

The Group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £819,000. There were no outstanding or prepaid contributions at the balance sheet date.

### 21 Operating lease commitments

At 31 December 2016, the group had commitments under non-cancellable operating leases as follows:

	31 December 2016	
	Other £000	Land and buildings £000
Group		
Within one year	15	133
Between two and five years	11	320

### 22 Related party transactions

Certain members of management are holders of loan notes issued to Alcumus Midco Limited, a subsidiary of the group. Details of these loan notes are set out in note 14.

Certain directors received share-based payments totalling £166,000. Details of these payments are set out in notes 4 and 5.

### 23 Ultimate controlling party

Alcumus Group Limited heads the only group to consolidate this entity. 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 2016.

## Notes (continued)

### 24 Subsidiaries

Details of the company's directly and indirectly held subsidiary undertakings are set out below:

Name	Registered office address	Company number	Principal activity	Ordinary shares held - Group	Ordinary shares held - Company
Alcumus Midco Limited	Note 1	09794154	Holding company	100%	100%
Alcumus Bidco Limited	Note 1	09794274	Holding company	100%	-
Alcumus Holdings Limited	Note 1	06955372	Holding company	100%	-
Alcumus Isoqar Limited	Note 3	02637608	Certification services	100%	-
Alcumus PSM Limited	Note 4	02603010	HR and Health and safety consultancy	100%	-
Alcumus Info Exchange Limited	Note 2	04111074	Compliance software	100%	-
Alcumus Sypol Limited	Note 2	04152975	Health and safety consultancy	100%	-
Alcumus SM&MS Limited	Note 5	04903672	Health, safety and environmental consultancy	100%	-
Alcumus Certification Limited	Note 1	06333759	Holding company	100%	-
Alcumus IEX Holdings Limited	Note 1	07334955	Holding company	100%	-
Alcumus Compliance Limited	Note 1	07770607	Holding company	100%	-
Alcumus Finance Limited	Note 1	07334643	Holding company	100%	-
Exor (Services) Limited	Note 1	07618138	Supply chain accreditation services	100%	-
Santia Consulting Limited	Note 1	07511553	Health & safety risk consultancy	100%	-
Santia Holdco Limited	Note 1	07511550	Holding company	100%	-
Santia Certification Limited	Note 1	07552626	Non-trading	100%	-
Santia Property Holdings Limited	Note 1	08464292	Property holding company	100%	-
Santia Consulting Services FZ-LLC	Note 6	n/a	Health and safety consultancy	100%	-
Santia Consulting Services (Turkey) A.S.	Note 7	n/a	Government accredited training solutions	100%	-

Note 1) The registered office address of these entities is Cannon Place, 78 Cannon Street, London EC4N 6AF.

Note 2) The registered office address of these entities is Midshires Business Park, Smeaton Close, Aylesbury HP19 8HL.

Note 3) The registered office address of this entity is Unit 1 Blackmore Road, Manchester M32 0QY.

Note 4) The registered office address of this entity is Axys House, Parc Nantgarw, Cardiff CF15 7TW.

Note 5) The registered office address of this entity is Dyson Wood Way, Bradley Business Park, Huddersfield HD2 1GN.

Note 6) The registered office address of this entity is Block # 18 King Salman Bin Abdulaziz Al Saud St, Dubai, UAE

Note 7) The registered office address of this entity is Huzur Mahallesi, Mithatpaşa Cad. 569/1 35320 Narlıdere İzmir

## Notes (continued)

### 25 Accounting judgements

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not apparent from other sources. The following are critical judgements that the directors have made in the process of applying the Group's accounting policies.

#### *Recognition of deferred tax asset*

The directors have assessed the recoverability of the recognised deferred tax asset and consider the recognised asset to be appropriate. The directors also consider it appropriate not to recognise the unrecognised deferred tax asset on the grounds of uncertainty.

#### *Useful economic lives and valuation of goodwill and intangible assets*

Management undertakes an annual impairment review to identify the occurrence of events or changes in circumstances that indicate the carrying amount of any goodwill or intangible asset may not be recoverable. Where indicators are present a full impairment test will be carried out, this testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate.