

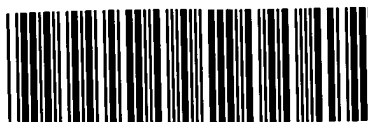
Alcumus Group Limited

**Annual report and consolidated
financial statements**

Registered number 09793309

For the year ended 31 December 2021

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Company information

Directors

A Franklin
T Jackson

Secretary

Sam James (appointed 31 October 2022)
Mrs Suzie Chetri (resigned 31 October 2022)

Company number

09793309 (England and Wales)

Registered office

Axys House
Heol Crochendy
Parc Nantgarw
Cardiff
CF15 7TW

Auditor

KPMG LLP
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

Bankers

HSBC Bank plc
Level 7
Thames Tower
Reading
RG1 1LX

Strategic Report

The directors present the Strategic Report for Alcumus for the year ended 31 December 2021 with comparatives for the year ended 31 December 2020.

Business review and future developments

Alcumus is a market-leading risk management and Environmental, Social and Governance (ESG) platform that delivers software and technology-enabled services in the areas of Supply Chain Compliance, Certification and Environmental, Health & Safety and Quality (EHSQ) Management. Alcumus now serves over 50,000 customers, ranging in size from owner-operators to large multi-nationals, and across all major industries. Our mission is to enable organisations to be safer, healthier and stronger. In 2021 our key area of focus continued to be the pursuit of recurring revenue growth, underpinned by a new organisational design, continued investment in technology to develop class-leading solutions for our customers, and investment in sales and marketing. The directors were pleased to see 21% revenue growth and EBITDA growth and recurring revenue as a percentage of total revenue exceed 90%. This was testament not only to the resilience of the business and its operating model but also, and most importantly, to the incredible hard work, dedication and skill of Alcumus' people.

On top of strong organic growth, in August and September 2021 Alcumus was further strengthened through the strategic acquisitions of Mango Limited and Mango Software Limited in New Zealand (together "Mango"), and Riley Software Limited (trading as Simple Compliance) in the UK. Mango is a New Zealand-based SaaS quality management and compliance system that has enhanced Alcumus' Quality Management software solutions. Simple Compliance is a UK-based SaaS EHSQ platform that complements Alcumus' existing EHSQ offering. On 21 October 2022, the group disposed of its entire EHSQ Software division to EcoOnline, a fellow Apax portfolio company. The divestment presented a unique commercial opportunity to accelerate the investment and growth of the division and further information on the transaction can be found in the post balance sheet events section of the strategic report.

In the annual financial statements for the year ended 31 December 2021 revenues of £66.5m were delivered (2020: £54.7m). Adjusted EBITDA was £24.1m (2020: £19.7m).

Adjusted EBITDA can be reconciled to the Operating loss as follows:

£'000	2021	2020
Adjusted EBITDA	24,060	19,691
Depreciation/Amortisation	(22,007)	(20,530)
Restructuring and other non-operating costs	(3,047)	(3,708)
Funding-related management costs	(428)	(316)
Disposal of tangible fixed assets	237	126
Consolidation and other adjustments	(669)	666
Operating loss	(1,854)	(4,071)

Strategic Report *(continued)*

Business review and future developments *(continued)*

The balance sheet was robust at 31 December 2021, with long-term funding from Inflexion Private Equity (£39.3m), CEDL (£111.6m) and two other funding banks (£30.0m in total) as at 31 December 2021. In common with many private equity-backed companies, the balance sheet is complex but with long-term funding prudently structured, high levels of organic growth, strong free cash generation and EBITDA growth, the working capital and overall financial position of Alcumus remains very strong.

Post balance sheet events

On 9 March 2022, Apax Partners LLP acquired Inflexion's holding in the Alcumus Group. As part of the transaction, Alcumus Group Limited became a 100% owned subsidiary of Dragon UK Bidco Limited (company number 13892607). The ultimate controlling parent of the group post-transaction is Dragon Holdco (Guernsey) Limited (company number 70337).

As part of the transaction, the Alcumus Group settled all external debt held on its balance sheet as at 31 December 2021, namely:

- Bank loans of £141.6m
- Loan notes of £61.2m and related accrued interest of £45.1m

As part of the transaction, the Director Loans of £2.5m and the Shareholder Loans of £7.5m (which were included within the Own Share Reserve as at 31 December 2021) were also settled.

Following the transaction, the Alcumus Group entered into a new external debt arrangement, borrowing £240m in total.

On 30th June 2022, Alcumus Holdings Limited, a subsidiary of Alcumus Group Limited, acquired 100% of the ordinary share capital of Cognibox Limited. Cognibox is a contractor management software company, based in Quebec, Canada. Cognibox provides a suite of solutions to mitigate contractor risk, including tools to manage qualification, compliance, safety monitoring, worker onboarding, and training.

On 21 October 2022, the group disposed of its entire 100% shareholdings in Alcumus Info Exchange Limited, Alcumus Sygol Limited, eCompliance Management Solutions Inc, Alcumus Banyard Holdings Limited, Riley Software Limited, Mango Software Limited and Alcumus Americas LLC, all of which were subsidiaries of Alcumus Holdings Limited. In addition, the group disposed of its entire 100% shareholdings in Banyard Solutions Limited, a subsidiary of Alcumus Banyard Holdings Limited and Mango Limited, a subsidiary of Mango Software Limited. In all cases, the shareholdings were sold for values which did not provide any indication of impairment at the balance sheet date.

Principal risks and uncertainties

The execution of Alcumus' strategy is subject to a number of risks and uncertainties. Principal among these is the potential for a decline in the macroeconomic environment in addition to adverse changes in the regulatory environment. At the present time, this risk is deemed to be low and Alcumus continues to see growth in all of its main key markets.

The directors have considered the impact of the 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 adapted very well throughout the pandemic and the strong financial performance seen in 2021 is testament to this. The Directors consider the Group to have sufficient financial resources to continue for the foreseeable future in spite of the ongoing situation.

Strategic Report *(continued)*

Principal risks and uncertainties *(continued)*

In mitigation of all material 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 key performance indicators

The Group's key performance indicators are discussed in detail on page 2 of the financial statements.

Key non-financial indicators that management reviews on a monthly basis at a subsidiary level include customer retention rates, which continue to average in excess of 90% on an annual basis.

Section 172(1) statement

The Group's key stakeholders are our employees, customers, suppliers and shareholders.

In line with Section 172(1), when making decisions, the directors consider the following criteria:

- the likely long-term consequences of decisions;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Group's operations on the community and the environment;
- the desirability of the Group maintaining a reputation for high standards of business conduct; and
- the need to act fairly between the Group's owners.

There is a Board of directors in place that meets on a monthly basis. All matters on which the Board is required to reach a decision are presented at Board meetings and are supported by papers setting out the background and key facts to the items discussed. When key decisions are presented at Board, such as strategic acquisitions, the directors consider whether this is the right long-term decision for the Group and whether it is in the interest of the Group's key stakeholders i.e. employees, suppliers, customers and others.

The impact of the Group on the community and environment is an ongoing interest of the company, with key initiatives being implemented regularly. Alcumus has a team of quality experts employed to tackle this area, so the focus and intention is always there to maintain the highest level of community care.

Employee engagement is also key to the success of the business and plays an important role when deciding future objectives. The Directors have created several feedback mechanisms allowing employees to engage at many points throughout the year. They collate employee feedback via quarterly anonymous employee surveys, annual conferences and roadshows held by the CEO, allowing all employees to evaluate the future intentions of the business.

Sustainability

Alcumus launched a new sustainability programme in 2020 (The Healthy People, Planet and Business Programme) which sets targets and ambitions for the business through to 2030 and aims to bring together existing initiatives and galvanise and inspire employees across three pillars – social, environmental and economic. Employees across the business lead on local initiatives and are in the process of developing Community Impact Plans for each office (and one led by field-based teams) to support development of the communities in which the business operates.

Streamlined Energy and Carbon Reporting

Alcumus is reporting on all UK subsidiaries within the group (as listed in note 28 with the registered office shown as note 1) for the period from 1 January 2021 to 31 December 2021, and the consumption of reportable energy for these companies was as follows:

Natural Gas: 66,224.74 kWh (2020: 31,006 kWh) (Scope 1 emissions)

Gas Oil: 2,420 litres (Scope 1 emissions)

Electricity: 545,696.60 kWh (2020: 529,952 kWh) (Scope 2 emissions)

Business travel – all activity classes: 548,388.2 miles (2020: 883,215 miles) (Scope 3 emissions)

Strategic Report *(continued)*

Streamlined Energy and Carbon Reporting *(continued)*

In addition to reportable energy consumption (Scope 1 and 2) their associated tonnes of carbon dioxide equivalent (tCO₂e) emissions are provided alongside voluntary reporting of material Scope 3 emissions from business travel (car mileage, public transport), overnight stays (hotel), waste generated, water usage and material use (paper printed).

- Scope 1 Carbon Dioxide Equivalent (CO₂e) emissions equate to 18.7 tCO₂e.
- Scope 2 Carbon Dioxide Equivalent (CO₂e) emissions equate to 120.8 tCO₂e.
- Scope 3 Carbon Dioxide Equivalent (CO₂e) emissions equate to 151.3 tCO₂e.

Total Scope 1, 2 and 3 emissions equate to 290.8 tCO₂e. Based on the intensity metric of the average annual employee headcount, the group used on average 0.4 tCO₂e for each UK employee for 2021 (718 employees).

This is the second year of reporting. For 2020 Scope 1, 2 and 3 emissions equated to 444.2 tCO₂e (Scope 1, 17.2 tCO₂e; Scope 2, 131.7 tCO₂e and Scope 3, 295.3 tCO₂e). Per average 2020 UK employee headcount (586), this equates to 0.8 tCO₂e per employee.

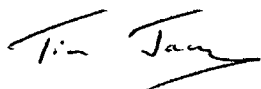
Scope 1 emissions are slightly higher in 2021 as opposed to 2020, however Scope 2 emissions have reduced. The main reason for this is due to office location mergers/closures where some office heating was provided through natural gas and others with electricity. In addition, a new acquisition was taken on in September 2021 where the office used both natural gas and electricity. The total Scope 1 and 2 emissions combined for 2020 were 148.9 tCO₂e as opposed to 139.5 tCO₂e for 2021. Therefore, for Scope 1 and 2 combined, there is reduction in these emissions since 2020.

For all three Scopes combined, emissions have reduced per UK employee headcount by half. A large majority of this reduction is due to a reduction in Scope 3 emissions from business travel which relate to a change in the business model pre and post COVID-19.

As part of The Sustainability Strategy and internal Healthy People, Planet and Business Programme, Alcumus' energy use across its offices is constantly monitored and tracked using Alcumus' internal ESG carbon accounting software to ensure compliance with carbon reduction targets. A number of energy saving and renewable energy initiatives continue to be implemented in 2021, which include the installation of electric vehicle charging points and solar panels at Alcumus' head office, an update of all light fittings to incorporate LED luminaires and initiatives to reduce emissions from business travel.

A detailed carbon accounting and reporting methodology has been established for each year (from a base year of 2019), following the Green House Gas Protocol (GHGP) standards. This document details the source data and methods used to produce the above carbon inventory for all three scopes, taken from primary activity-based source data and monthly averages where applicable. Activity data is a quantitative measure of a level of activity (e.g. litres of fuel consumed, Kilowatt hours (kWh) of electricity or natural gas used, kilometres travelled, cubic meters of water supplied/removed, kilograms of waste generated etc.) that results in GHG emissions. Conversion Factors for greenhouse gas (GHG) reporting for each emission source (activity data) were taken from the Defra/BEIS managed dataset published by the UK Government on an annual basis. These factors are suitable for use by UK-based organisations of all sizes and international organisations reporting on UK operations. Therefore, the scope of the factors is defined such that it is relevant to emissions reporting. The individual conversion factors used are detailed in the carbon accounting and reporting methodology.

By order of the Board



T Jackson
Director

20 March 2023

Axys House
Heol Crochendy
Parc Nantgarw
Cardiff
CF15 7TW

Directors' Report

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

Principal activities

Alcumus is a market-leading risk management and Environmental, Social and Governance (ESG) platform that delivers software and technology-enabled services in the areas of Environmental, Health & Safety and Quality Management (EHSQ), Supply Chain Risk Management & Accreditation, and Assurance & Sustainability, to companies of all sizes globally.

Results and proposed dividends

The loss for the financial year amounted to £16,385,283 (2020: £36,115,000).

The payment of a dividend amounted to £Nil (2020: £nil).

Directors

The directors who held office during the year and subsequently, until the date of this report, were as follows:

M Williams (resigned 8 March 2022)
A Franklin
T Jackson
NW Rosenberg (resigned 8 March 2022)
B A R Sciard (resigned 8 March 2022)
S Ferrarini (resigned 8 March 2022)

Financial risk management

The group's operations expose it to a variety of financial risks that include, but are not limited to, 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, and it is therefore not significantly exposed to commodity price risk as a result of its operations.

Credit risk

The group has a very diverse customer base, with very limited concentration, resulting in low exposure to credit risk. The vast majority of services are paid for at or before the point of delivery, and in cases where this isn't the case the amount of exposure to any individual counterparts is subject to a limit, which is kept under continual review depending on perceived credit risk, 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 considerations 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.

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 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.



T Jackson
Director

Axys House
Heol Crochendy
Parc Nantgarw
Cardiff
CF15 7TW

20 March 2023

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 Group and parent company financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 the group's 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;
- assess the group and parent 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 group or the parent 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 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 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 group and to prevent and detect fraud and other irregularities.

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

Opinion

We have audited the financial statements of Alcumus Group Limited ("the company") for the year ended 31 December 2021 which comprise the Consolidated Profit and Loss Account and Other Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, Company Balance Sheet, Company 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 group's and of the parent company's affairs as at 31 December 2021 and of the group's 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 group 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 group or the company or to cease their operations, and as they have concluded that the group and 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 their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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

Our conclusions based on this work:

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

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

- Enquiring of directors as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets.
- Using analytical procedures to identify any unusual or unexpected relationships.

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

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is overstated through recording revenues in the wrong period and the risk that Group management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

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

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

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

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

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

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

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

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

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

Strategic report and directors' report

The directors are responsible for the strategic report and 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.

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 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, 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 group and parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

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

20 March 2023

Consolidated Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Turnover	1,2	66,469	54,731
Cost of sales		(13,493)	(13,304)
		<hr/>	<hr/>
Gross profit		52,976	41,427
Administrative expenses		(55,067)	(45,624)
Other operating income – net gain on disposal of tangible fixed assets		237	126
		<hr/>	<hr/>
Operating loss		(1,854)	(4,071)
Interest receivable and similar income		-	33
Interest payable and similar expenses	6	(13,586)	(32,811)
		<hr/>	<hr/>
Loss before taxation	3-5	(15,440)	(36,849)
Taxation	7	(945)	734
		<hr/>	<hr/>
Loss for the financial year		(16,385)	(36,115)
Other comprehensive income/(loss)			
Foreign exchange differences on translation of subsidiary undertakings		63	(471)
		<hr/>	<hr/>
Total comprehensive (loss) for the financial year		(16,322)	(36,586)
		<hr/>	<hr/>

The notes form part of these financial statements.

Consolidated Balance Sheet at 31 December 2021

	Note	2021 £000	2020 £000
Fixed assets			
<i>Intangible assets</i>			
Goodwill	8	62,811	71,481
Other intangibles	9	33,940	32,526
		<u>96,751</u>	<u>104,007</u>
Tangible assets	10	4,896	5,142
		<u>101,647</u>	<u>109,149</u>
Current assets			
Debtors	12	14,814	12,403
Cash at bank and in hand		2,834	12,065
		<u>17,648</u>	<u>24,468</u>
Creditors: amounts falling due within one year	13	(28,562)	(31,486)
		<u>(10,914)</u>	<u>(7,018)</u>
Total assets less current liabilities		<u>90,733</u>	<u>102,131</u>
Creditors: amounts falling due after more than one year	14	(244,407)	(236,891)
Provisions for liabilities			
Deferred tax	17	(4,351)	(3,497)
Other provisions	18	-	(46)
		<u>(4,351)</u>	<u>(3,543)</u>
Net liabilities		<u>(158,025)</u>	<u>(138,303)</u>
Capital and reserves			
Called up share capital	22	18	18
Share premium account		1,491	1,491
Capital redemption reserve	22	4	4
Own share reserve	22	(7,872)	(4,472)
Foreign exchange reserve	22	(429)	(492)
Profit and loss account		(151,237)	(134,852)
Shareholders' deficit		<u>(158,025)</u>	<u>(138,303)</u>

These financial statements were approved by the board of directors on 20 March 2023 and were signed on its behalf by:



T Jackson
Director

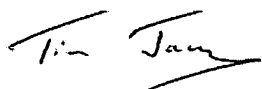
Company registered number: 09793309

The notes form part of these financial statements.

Company Balance Sheet
at 31 December 2021

	<i>Note</i>	2021 £000	2020 £000
Fixed assets			
Investments	<i>11</i>	771	771
Current assets			
Debtors	<i>12</i>	2,346	2,346
Creditors: amounts falling due within one year	<i>13</i>	(2,330)	(1,929)
Net current assets		<u>16</u>	<u>417</u>
Net assets		<u><u>787</u></u>	<u><u>1,188</u></u>
Capital and reserves			
Called up share capital	<i>22</i>	18	18
Share premium account		1,491	1,491
Capital redemption reserve	<i>22</i>	4	4
Own share reserve	<i>22</i>	(400)	-
Profit and loss account		(326)	(325)
Shareholders' funds		<u><u>787</u></u>	<u><u>1,188</u></u>

These financial statements were approved by the board of directors on 20 March 2023 and were signed on its behalf by:



T Jackson
Director

Company registered number: 09793309

The notes form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Own share reserve £000	Foreign exchange reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2020	18	1,491	4	(4,472)	(21)	(98,737)	(101,717)
Comprehensive loss for the financial year							
Loss for the year	-	-	-	-	-	(36,115)	(36,115)
<i>Other comprehensive income:</i>							
Foreign exchange differences on translation of subsidiary undertakings	-	-	-	-	(471)	-	(471)
Total comprehensive loss for the financial year	-	-	-	-	(471)	(36,115)	(36,586)
At 31 December 2020	18	1,491	4	(4,472)	(492)	(134,852)	(138,303)

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Own share reserve £000	Foreign exchange reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2021	18	1,491	4	(4,472)	(492)	(134,852)	(138,303)
Comprehensive loss for the financial year							
Loss for the year	-	-	-	-	-	(16,385)	(16,385)
<i>Other comprehensive income:</i>							
Foreign exchange differences on translation of subsidiary undertakings	-	-	-	-	63	-	63
Total comprehensive loss for the financial year	-	-	-	-	63	(16,385)	(16,322)
Transactions with owners, recorded directly in equity							
Own shares acquired	-	-	-	(3,400)	-	-	(3,400)
At 31 December 2021	18	1,491	4	(7,872)	(429)	(151,237)	(158,025)

Company Statement of Changes in Equity

for the year ended 31 December 2021

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Own share reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2020	18	1,491	4	-	(123)	1,390
Comprehensive income for the financial year						
Loss for the financial year	-	-	-	-	(202)	(202)
Total comprehensive income for the financial year	-	-	-	-	(202)	(202)
Transactions with owners, recorded directly in equity						
Own shares acquired	-	-	-	-	-	-
Total transactions with owners, recorded directly in equity	-	-	-	-	-	-
At 31 December 2020	18	1,491	4	-	(325)	1,188
Balance at 1 January 2021	18	1,491	4	-	(325)	1,188
Comprehensive income for the financial year						
Loss for the financial year	-	-	-	-	(1)	(1)
Total comprehensive income for the financial year	-	-	-	-	(1)	(1)
Transactions with owners, recorded directly in equity						
Own shares acquired	-	-	-	(400)	-	(400)
Total transactions with owners, recorded directly in equity	-	-	-	(400)	-	(400)
At 31 December 2021	18	1,491	4	(400)	(326)	787

Consolidated Cash Flow Statement

for the year ended 31 December 2021

	2021 £000	2020 £000
Cash flows from operating activities		
Loss for the period	(16,385)	(36,115)
Adjustments for:		
Depreciation, amortisation and impairment	22,007	20,530
Interest receivable and similar income	-	(33)
Interest payable and similar expenses	13,586	32,811
Gain on sale of tangible fixed assets	(237)	(126)
Taxation	945	(734)
	<hr/> 19,916	<hr/> 16,333
Decrease in trade and other debtors	372	142
Increase in trade and other creditors	(1,170)	7,445
	<hr/> 19,118	<hr/> 23,920
Tax received/(paid)	(763)	(963)
	<hr/> 18,355	<hr/> 22,957
Cash flows from investing activities		
Proceeds from sale of tangible fixed assets	243	641
Interest received	-	33
Acquisition of subsidiaries (including acquisition costs)	(8,639)	(6,307)
Acquisition of tangible fixed assets	(1,091)	(651)
Acquisition of other intangible assets	(8,308)	(5,294)
	<hr/> (17,795)	<hr/> (11,578)
Cash flows from financing activities		
Redemption of loan notes	(346)	(10,000)
Proceeds from new loans	6,900	-
Proceeds from new loan notes	-	20,000
Repurchase of own shares	(3,400)	-
Interest paid	(10,657)	(15,524)
Payment of debt issue costs	-	(120)
Issue of director loans	(2,500)	-
Repayment of finance lease liabilities	(790)	(722)
	<hr/> (10,793)	<hr/> (6,366)
Net (decrease)/increase in cash and cash equivalents	<hr/> (10,233)	<hr/> 5,013
Cash acquired with acquisition of subsidiary	1,002	253
Cash and cash equivalents at beginning of period	12,065	6,799
Cash and cash equivalents at end of period	<hr/> <hr/> 2,834	<hr/> <hr/> 12,065

The notes form part of these financial statements.

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, the company’s registered number is 09793309 and the registered office address is Axys House, Heol Crochendy, Parc Nantgarw, Cardiff, CF15 7TW.

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”). The presentation currency of these financial statements is Great British pound sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

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:

- No separate parent company Cash Flow Statement with related notes is included,
- 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 29.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

Notwithstanding a reported loss for the year of £16.4 million and net current liabilities of £10.9 million and considering operating cash inflows of £18.4 million for the year ended 31 December 2021, the financial statements have been prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

The directors have considered the use of the going concern basis in the preparation of the Group and Company financial statements. This included consideration of the current financial position of the Group and Company, financial results, internal budgets and cash flow forecasts for a period of 12 months from the date of approval of these financial statements.

As part of their going concern assessment, the directors have modelled severe but plausible downside scenarios including a drop off in both new business and renewals across all divisions of the Group. The forecasts indicate that, even after taking account of reasonably possible downsides, the Group and Company will continue their positive EBITDA performance and generate positive operating cash flows in the going concern period. 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, taking into account the new funding arrangements in place following the acquisition of the group by Apax Partners LLP on 9 March 2022.

In common with many private equity-backed companies, the balance sheet is complex but with long term funding prudently structured, excellent operating performance, strong free cash generation and EBITDA growth, the working capital and overall financial position remains very strong. Although net liabilities are increasing as a result of large interest and amortisation charges, only interest on bank loans and not shareholder loan notes, materially impacts cashflows.

Based on the above, the directors are satisfied that the Group and Company will have sufficient funds to meet their 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.

Notes

(forming part of the financial statements)

1 Accounting policies *(continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings up to 31 December 2021. 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.

The Employee Benefit Trust (EBT) is treated as a branch/agent of Alcumus Group Limited, in line with FRS 102 section 26. The assets and liabilities of the trust are accounted for as assets and liabilities of the entity, on the basis that the trust is merely acting as an agent of the entity.

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.

The assets and liabilities of foreign subsidiaries have been translated to the Group's functional currency at the foreign exchange ruling at the reporting date. Exchange differences arising on translation of the foreign subsidiaries' assets and liabilities have been recognised in a foreign exchange reserve.

Notes (continued)

1 Accounting policies (continued)

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.

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.

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets (continued)

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
- Fixtures, fittings and equipment 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 the 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.

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 external development costs incurred. 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.

Notes (continued)

1 Accounting policies (continued)

Intangible assets and goodwill (continued)

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 when all three of the following conditions are met:

- the recognition criteria are met (i.e. it is probable that economic benefits will flow and the value of the asset can be measured reliably);
- the intangible asset arises from contractual or other legal rights; and
- the intangible asset is separable

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 | 2 – 16 years |
| • Technology and software | 3 - 15 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, with the exception of Mango technology which was valued using the multi-period excess earnings method. 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.

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.

Notes (continued)

1 Accounting policies (continued)

Impairment (continued)

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.

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, also 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 accreditation services, audit certification services and software. Accreditation revenue is generated from new business recognised at the point of registration and renewals recognised at the point of renewal. Audit certification revenue is recognised at the point the associated audit is performed. Software revenue is recognised over the term of the contract to which it relates, reflecting the phasing of work through initiation, go live and completion stages.

Any amounts invoiced where the service is to be provided in future, or for subscriptions paid in advance, are included in deferred income, in line with contractual arrangements.

Turnover is stated net of value added tax and trade discounts and includes rechargeable expenses where applicable.

Notes (continued)

1 Accounting policies (continued)

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, 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 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. 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.

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.

Notes (continued)

1 Accounting policies (continued)

Share-based payment transactions

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured based on an using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Employee Benefit Trust (EBT)

Transactions of the Company-sponsored Employee Benefit Trust (EBT) are treated as being those of the Company and are therefore reflected in the Company and Group financial statements. In particular, the trust's purchases and sales of shares in the Company are debited and credited directly to equity. Transactions made with, and balances borrowed from or lent to, the Company are eliminated on consolidation of the group's results.

2 Turnover

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

	2021 £000	2020 £000
Accreditation	28,743	22,397
Certification	14,808	13,469
Software	22,918	18,865
	<hr/> 66,469 <hr/>	<hr/> 54,731 <hr/>
	2021 £000	2020 £000
United Kingdom	55,961	45,594
Europe	1,405	653
Rest of the world	9,103	8,484
	<hr/> 66,469 <hr/>	<hr/> 54,731 <hr/>

Notes (continued)

3 Expenses and auditor's remuneration

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

	2021 £000	2020 £000
Depreciation of tangible fixed assets	1,344	1,165
Amortisation of goodwill	10,992	11,859
Amortisation of other intangible fixed assets	9,671	7,506
<i>Auditor's remuneration:</i>		
Audit of these financial statements	33	29
Audit of financial statements of subsidiaries	171	121
Other services including taxation	38	60
Restructuring and other non-operating costs (see note below)	3,047	3,708
Management costs	428	316
Operating lease rentals:		
- land & buildings	285	302
- other	16	16

Restructuring and other non-operating costs reflect corporate activity during the year including a large amount of restructuring to position Alcumus for future growth, various corporate projects, and business transformation activity.

4 Staff numbers and costs

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

	2021 Number	2020 Number
Auditors	149	137
Consultants	57	54
Helpdesk	14	14
Sales and marketing	230	125
Management and administration	268	256
	718	586

The aggregate payroll costs of the above were:

	2021 £000	2020 £000
Wages and salaries	30,534	25,766
Social security costs	2,712	2,165
Other pension costs	1,319	1,067
	34,565	28,998

The above costs include income received from the Coronavirus Job Retention Scheme of £224,000 (2020: £351,000).

The compensation for key management personnel totalled £987,000 (2020: £843,000).

Notes (continued)

5 Remuneration of directors

	2021 £000	2020 £000
Directors' emoluments	957	822
Company contributions to defined contribution pension schemes	30	21
	<u>987</u>	<u>843</u>

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

The highest paid director received remuneration of £440,000 (2020: £351,000). The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £16,000 (2020: £9,000).

6 Interest payable and similar expenses

	2021 £000	2020 £000
On loan notes	11,367	24,711
Loan note redemption premium adjustment	(7,369)	-
On bank borrowings	8,630	7,234
On finance lease obligations	87	107
Amortisation of debt issue costs	871	759
	<u>13,586</u>	<u>32,811</u>

The loan note redemption premium adjustment relates to a redemption premium on preference loan notes that were settled in December 2021.

Notes (continued)

7 Taxation

Total tax expense recognised in the profit and loss account

	2021 £000	2020 £000
<i>Current tax</i>		
UK corporation tax on income for the period	869	1,149
Adjustments in respect of prior periods	(84)	98
	<hr/>	<hr/>
Total current tax	785	1,247
<i>Deferred tax (see note 17)</i>		
Origination and reversal of timing differences	(900)	(1,173)
Adjustments in respect of prior periods	(44)	(1,385)
Effect of tax rate change on opening balance	1,104	577
	<hr/>	<hr/>
Total deferred tax	160	(1,981)
	<hr/>	<hr/>
Total tax (all recognised in the Profit and Loss account)	945	(734)
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of effective tax rate

	2021 £000	2020 £000
Loss for the year	(16,385)	(36,115)
Total tax	945	(734)
	<hr/>	<hr/>
Loss excluding taxation	(15,440)	(36,849)
Tax using the UK corporation tax rate of 19% (2020: 19%)	(2,934)	(7,001)
Tax rate differences	1,104	577
Non-deductible expenses	1,723	6,922
Fixed asset differences	82	54
Current year losses for which no deferred tax asset was recognised	1,098	1
Adjustments in respect of prior periods (current tax)	(84)	98
Adjustments in respect of prior periods (deferred tax)	(44)	(1,385)
	<hr/>	<hr/>
Total tax expense/(credit) included in profit or loss	945	(734)
	<hr/> <hr/>	<hr/> <hr/>

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly.

The deferred tax balance at 31 December 2021 has been calculated based on these rates, reflecting the expected timing of reversal of the related timing differences.

Notes (continued)

8 Goodwill

Group	Goodwill £000
<i>Cost</i>	
At 1 January 2021	138,079
Acquired with acquisition of subsidiary (note 19 and 20)	5,548
Deferred consideration adjustment (note 21)	(3,226)
	<hr/>
At 31 December 2021	140,401
	<hr/>
<i>Amortisation</i>	
At 1 January 2021	66,598
Amortisation for the period	10,992
	<hr/>
At 31 December 2021	77,590
	<hr/>
Net book value	
At 31 December 2021	62,811
	<hr/>
At 31 December 2020	71,481
	<hr/>

Notes (continued)

9 Other intangible fixed assets

Group

	Accreditation £000	Customer relationships £000	Brand £000	Technology and software £000	Total £000
Cost					
At 1 January 2021	2,558	30,873	8,943	15,539	57,913
Additions – internally developed	-	-	-	8,308	8,308
Acquired with acquisition of subsidiary (note 19)	-	-	170	2,607	2,777
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021	2,558	30,873	9,113	26,454	68,998
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation and impairment					
At 1 January 2021	893	13,339	2,936	8,219	25,387
Amortisation for the year	171	3,013	596	5,891	9,671
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021	1,064	16,352	3,532	14,110	35,058
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 December 2021	1,494	14,521	5,581	12,344	33,940
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	1,665	17,534	6,007	7,320	32,526
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Amortisation is recognised in administrative expenses.

Notes (continued)

10 Tangible fixed assets

	Freehold property £000	Leasehold Improvements £000	Motor Vehicles £000	Fixtures, fittings and equipment £000	Total £000
Group					
<i>Cost</i>					
At 1 January 2021	5,010	117	2,158	1,759	9,044
Acquired with acquisition of subsidiaries (note 19 & 20)	-	7	-	6	13
Additions	-	266	363	462	1,091
Disposals	-	-	(151)	(6)	(157)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021	5,010	390	2,370	2,221	9,991
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At 1 January 2021	1,078	69	1,580	1,175	3,902
Charge for the period	79	182	683	400	1,344
Disposals	-	-	(151)	-	(151)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021	1,157	251	2,112	1,575	5,095
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 31 December 2021	3,853	139	258	646	4,896
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	3,932	48	578	584	5,142
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Leased assets

At 31 December 2021 the depreciation charge in the period and net carrying amount of assets leased under a finance lease was as follows:

Group

	2021 Depreciation £000	2020 Depreciation £000	2021 Net book value £000	2020 Net book value £000
Leasehold improvements	182	143	139	48
Motor vehicles	683	353	258	578
Fixtures, fittings and equipment	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	865	496	397	626
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

11 Fixed asset investments

	Shares in group undertakings £000
Company	
At 1 January 2021	771
Additions	-
	<hr/>
At 31 December 2021	771
	<hr/>

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 subsidiaries can be found under note 28. All subsidiaries have been included in the consolidation.

12 Debtors

	2021		2020	
	Group £000	Company £000	Group £000	Company £000
<i>Due within one year:</i>				
Trade debtors	8,562	-	8,471	-
Other debtors	896	27	2,335	27
Director loan	2,500	-	-	-
Prepayments and accrued income	2,856	-	1,597	-
Amounts owed by group undertakings	-	2,319	-	2,319
	<hr/>	<hr/>	<hr/>	<hr/>
	14,814	2,346	12,403	2,346
	<hr/>	<hr/>	<hr/>	<hr/>

The Director loan is an interest-free loan with no fixed duration. The Director loan was repaid in full in March 2022. Please refer to note 31 for further details.

13 Creditors: amounts falling due within one year

	2021		2020	
	Group £000	Company £000	Group £000	Company £000
Loan notes (note 14)	846	-	1,773	-
Trade creditors	2,007	-	1,340	-
Obligations under finance leases (note 16)	177	-	432	-
Corporation tax	570	-	548	-
Amounts owed to group undertakings	-	2,330	-	1,929
Social security and other taxes	1,230	-	3,959	-
Other creditors	1,314	-	1,989	-
Other financial liabilities	1,909	-	1,070	-
Accruals	1,680	-	4,336	-
Deferred income	18,829	-	16,039	-
	<hr/>	<hr/>	<hr/>	<hr/>
	28,562	2,330	31,486	1,929
	<hr/>	<hr/>	<hr/>	<hr/>

Other financial liabilities include deferred and contingent consideration relating to the acquisitions of Alcumus Banyard Holdings Limited, Alcumus ContractorCheck Inc and Riley Software Limited (see note 20 and 21).

Notes (continued)

14 Creditors: amounts falling due after more than one year

	2021		2020	
	Group £000	Company £000	Group £000	Company £000
Loan notes	40,381	-	39,800	-
PIK loan notes	20,000	-	20,000	-
Bank loans	138,174	-	130,403	-
Accrued interest payable	45,116	-	41,231	-
Obligations under finance leases (note 16)	340	-	875	-
Other financial liabilities	396	-	4,582	-
	<u>244,407</u>	<u>-</u>	<u>236,891</u>	<u>-</u>

Loan notes

Loan notes include £41,227,000 of loan notes which are listed on The International Stock Exchange ("TISE"). Interest is charged on all loan notes at 12% and is repayable in instalments on the same dates as the loan principal. An amount of £846,000 is due in December 2022 and £40,381,000 is due in December 2023.

The loan notes were repaid in March 2022 as part of a change in ownership of the Alcumus Group. Please refer to note 31 for further detail.

PIK loan notes

In December 2020, the group issued £20m of PIK loan notes to Alcentra which are repayable in December 2025 and interest is charged at 12%.

The PIK loan notes were repaid in March 2022 as part of a change in ownership of the Alcumus Group. Please refer to note 31 for further detail.

Bank loans

Bank loans, including interest capitalised in 2020 of £1,746,000, as at 31 December 2021 are £141,646,000 (2020: £134,746,000) and are stated net of unamortised issue costs of £3,472,000 (2020: £4,343,000). The group obtained an additional Acquisition Facility of £10,000,000 on 5 August 2021. £6,900,000 was drawn down in August 2021. The remaining facility of £3,100,000 remained undrawn at 31 December 2021.

The bank loans outstanding at 31 December 2021 are due for repayment in full as follows:

Group	Currency	Nominal interest rate	Year of maturity	2021 £000	2020 £000
Facility B1	GBP	2.75% + LIBOR	2025	30,000	30,000
Facility B2	GBP	7.00% + LIBOR	2025	91,526	91,526
Facility B2 additional	GBP	7.00% + LIBOR	2025	13,220	13,220
Acquisition Facility	GBP	7.00% + LIBOR	2025	6,900	-
				<u>141,646</u>	<u>134,746</u>

SONIA will replace LIBOR as the industry standard benchmark for sterling debt instruments and other financial products, effective from 31 December 2021.

Notes (continued)

14 Creditors: amounts falling due after more than one year (continued)

The Alcumus Group also has a £5.0 million revolving credit facility which is available until November 2024, which was undrawn at the end of 2021.

The bank loans were repaid in March 2022 as part of a change in ownership of the Alcumus Group. As part of the transaction, the £5.0 million revolving credit facility referred to above has been replaced by a £40.0 million revolving facility which is available until 9 September 2028. Please refer to note 31 for further detail.

Other financial liabilities

Other financial liabilities include deferred and contingent consideration relating to the acquisitions of Alcumus Banyard Holdings Limited, Alcumus ContractorCheck Inc and Riley Software Limited (see note 20 and 21).

15 Interest bearing loans and borrowings

This note, together with note 14, provides information about the Group's and Company's interest-bearing loans and borrowings.

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Creditors falling due more than one year				
Shareholder loan notes	40,381	39,800	-	-
PIK loan notes	20,000	20,000	-	-
Bank loans	141,646	134,746	-	-
Obligations under finance leases (note 16)	340	875	-	-
	<u>202,367</u>	<u>195,421</u>	<u>-</u>	<u>-</u>
Creditors falling due within less than one year				
Shareholder loan notes	846	1,773	-	-
Obligations under finance leases (note 16)	177	432	-	-
	<u>1,023</u>	<u>2,205</u>	<u>-</u>	<u>-</u>

These amounts fall due as follows:

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
In less than one year	1,023	2,205	-	-
In the second to fifth years	202,367	195,421	-	-
In more than five years	-	-	-	-
	<u>203,390</u>	<u>197,626</u>	<u>-</u>	<u>-</u>

Notes (continued)

16 Other interest bearing loans and borrowings

Finance lease liabilities are payable as follows:

Group	Minimum lease payments 2021 £000	Minimum lease payments 2020 £000
Less than one year	177	432
Between one and five years	340	875
More than five years	-	-
	<u>517</u>	<u>1,307</u>

17 Provisions for liabilities: deferred tax

	2021 £000
At 1 January 2021	3,497
Acquired through business combinations	694
Recognised in the Profit and Loss Account for the year	160
	<u>4,351</u>
At 31 December 2021	<u>4,351</u>

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2021 £000	Liabilities 2021 £000	Net 2021 £000	Assets 2020 £000	Liabilities 2020 £000	Net 2020 £000
Arising on business combinations	-	6,088	6,088	-	4,789	4,789
CIR interest restriction	(1,812)	-	(1,812)	(1,437)	-	(1,437)
Capital allowances	-	191	191	-	215	215
Unused tax losses	(17)	-	(17)	(13)	-	(13)
Other timing differences	(99)	-	(99)	(57)	-	(57)
	<u>(1,928)</u>	<u>6,279</u>	<u>4,351</u>	<u>(1,507)</u>	<u>5,004</u>	<u>3,497</u>
Net tax (assets) / liabilities	<u>(1,928)</u>	<u>6,279</u>	<u>4,351</u>	<u>(1,507)</u>	<u>5,004</u>	<u>3,497</u>

Notes (continued)

17 Provisions for liabilities: deferred tax (continued)

In addition to the deferred tax assets and liabilities above, the Group has unrecognised deferred tax assets in respect of the following:

	2021 £000	2020 £000
Unused tax losses	1,624	526
Corporate interest restriction	2,436	1,924
Other timing differences	6	4
	<hr/>	<hr/>
Tax assets	4,066	2,454
	<hr/>	<hr/>

The deferred tax asset has not been recognised in the financial statements on the grounds that there is uncertainty that sufficient taxable profits will be generated in the foreseeable future for the asset to be recovered.

Company

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

18 Provisions

	2021 £000	2020 £000
Onerous leases	-	36
Dilapidations	-	10
	<hr/>	<hr/>
Total	-	46
	<hr/>	<hr/>

Notes (continued)

19 Acquisition – Mango Limited and Mango Software Limited

On 19 August 2021, Alcumus Holdings Limited, a subsidiary of Alcumus Group Limited, acquired 100% of the ordinary share capital of Mango Limited and Mango Software Limited for total consideration of £4,579,000, including professional fees of £121,000.

Mango Limited contributed £21,000 of revenue and £74,000 negative contribution to the group results from the date of acquisition to the balance sheet date.

Full details of the consideration and the fair value of the net assets arising are given below:

	Book Value	Fair value adjustments	Recognised acquisition value
	£'000	£'000	£'000
Fixed assets			
Intangible fixed assets	-	2,777	2,777
Tangible fixed assets	9	-	9
Current assets			
Cash at bank and in hand	87	-	87
Debtors	143	-	143
Total assets	<u>239</u>	<u>2,777</u>	<u>3,016</u>
Creditors			
Due within one year	(218)	(694)	(912)
Total liabilities	<u>(218)</u>	<u>(694)</u>	<u>(912)</u>
Net identifiable assets and liabilities	<u>21</u>	<u>2,083</u>	<u>2,104</u>
Total cost of business combination			
Cash paid on completion			4,458
Costs directly attributable to the business combination			121
Total consideration			<u>4,579</u>
Goodwill on acquisition			<u>2,475</u>

The fair value adjustments relate to the value of technology and brand / trademark intangible assets acquired which were not recognised in the book value of assets acquired.

The expected useful life of the goodwill on acquisition above is 10 years, in line with Alcumus' accounting policies, and will be amortised on a straight-line basis over its useful life.

Notes (continued)

20 Acquisition – Riley Software Limited

On 10 September 2021, Alcumus Holdings Limited, a subsidiary of Alcumus Group Limited, acquired 100% of the ordinary share capital of Riley Software Limited for total consideration of £3,939,000, including professional fees of £133,000.

Riley Software Limited contributed £285,000 of revenue and £120,000 of positive contribution to the group results from the date of acquisition to the balance sheet date.

Full details of the consideration and the fair value of the net assets arising are given below:

	Book Value	Fair value adjustments	Recognised acquisition value
	£'000	£'000	£'000
Fixed assets			
Tangible fixed assets	8	(4)	4
Current assets			
Cash at bank and in hand	915	-	915
Debtors	133	7	140
Total assets	<u>1,056</u>	<u>3</u>	<u>1,059</u>
Creditors			
Due within one year	(78)	(115)	(193)
Total liabilities	<u>(78)</u>	<u>(115)</u>	<u>(193)</u>
Net identifiable assets and liabilities	<u>978</u>	<u>(112)</u>	<u>866</u>
Total cost of business combination			
Initial cash paid on completion			2,956
Deferred consideration at fair value			454
Contingent consideration expected to be paid			396
Costs directly attributable to the business combination			133
Total consideration			<u>3,939</u>
Goodwill on acquisition			<u>3,073</u>

The expected useful life of the goodwill on acquisition above is 10 years, in line with Alcumus' accounting policies, and will be amortised on a straight-line basis over its useful life. The deferred consideration of £454,000 was paid in December 2021. The contingent consideration of £396,000 is to be paid by 31 January 2023 if specified performance targets are met.

Notes (continued)

21 Acquisitions in the prior period – Alcumus Banyard Holdings Limited and Alcumus ContractorCheck Inc.

In the previous year, on 30 June 2020, the Alcumus group acquired 100% of the ordinary share capital of Alcumus Banyard Holdings Limited (previously known as Azure Group Holdings Limited) for total consideration of £3,532,000, including professional fees of £221,000. Goodwill arising on the acquisition was £3,575,000.

The business acquired in the comparative period contributed revenue of £1,443,000 and a pre-tax profit of £116,000 to the revenue and net profit for the current year. There have been no changes in provisional fair values, contingent consideration payable or goodwill since the last reporting period.

On 30 June 2020, the Alcumus group acquired 100% of the ordinary share capital of Alcumus ContractorCheck Inc for total consideration of £9,323,619 including professional fees of £463,720. Goodwill arising on the acquisition was £6,849,000.

The business acquired in the comparative period contributed revenue of £1,998,000 and a pre-tax loss of £941,000 to the revenue and net profit for the current year.

The original consideration of £9,324,000 included contingent deferred consideration of £4,246,000. As at 31 December 2021, Alcumus ContractorCheck Inc is not expected to meet all the targets, and as a result the Group is not expecting to pay £3,226,000 of the deferred contingent consideration. This balance has been released from deferred consideration payable and goodwill has been reduced as a result.

22 Share capital and reserves

	2021 £000	2020 £000
<i>Allotted, called up and fully paid</i>		
1,173,710 (2020: 1,177,147) A ordinary shares of £0.01 each	12	12
16,266 (2020: 16,266) B1 ordinary shares of £0.20 each	3	3
21,041 (2020: 17,604) B2 ordinary shares of £0.01 each	-	-
63,250 (2020: 63,250) C1 ordinary shares of £0.015 each	1	1
175,543 (2020: 175,543) C2 ordinary shares of £0.01 each	2	2
	<hr/> 18	<hr/> 18

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 rank immediately after the 'B' 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 'B' shares on a distribution of capital. Ordinary C2 shares are non-redeemable.

3,437 A ordinary shares were re-designated to B2 shares in March 2021.

Notes (continued)

22 Share capital and reserves (continued)

The C1 and C2 ordinary shares no longer benefit from a ratchet mechanism which provided an enhanced return above a certain target return for the holders of A ordinary shares on an Exit. In addition, a put right in favour of the C1 and C2 ordinary shares has been removed due to the cessation of the Employee Shareholder Scheme.

7,204 C2 ordinary shares of £0.01 each were issued to management in January 2022.

Capital redemption reserve

Includes amounts transferred following the redemption or purchase of own shares.

Profit and loss account

Includes all current and prior period retained profits and losses.

Own share reserve

A Joint Share Ownership Plan ("JSOP") was implemented in 2019, in order to provide certain new and existing management with an interest in the share capital of the company. The plan enables certain employees to acquire an interest in the shares of the company. The shares are held jointly by the employee and the original shareholder that currently owns the shares but who have since left the company.

In order to facilitate the availability of existing shares for joint ownership, the company agreed and paid certain existing shareholders a price of £50.8648 per share in 2019, (over 87,912 shares) representing the value of the shares. The amount paid to the original shareholders has been made on a non-recourse basis, thus in substance, representing a share buyback and therefore creating an own share reserve of £4,471,634.

There was a further buy-back of shares during 2021. The company paid certain existing shareholders a price of £79.567 per share representing the value of the shares. This resulted in a £3,000,000 increase to the own share reserve.

The company also acquired shares through the Employee Benefit Trust (EBT). The EBT paid certain existing shareholders a price of £30.36 per share representing the value of the shares. This resulted in a £400,000 increase to the own share reserve.

The own share reserve will be held within equity until the future sale of the business at which point it will be recovered and recycled into distributable reserves.

The Alcumus Group was sold to Apax Partners LLP in March 2022. The own share reserve balance of £7,872,000 was recovered and recycled into distributable reserves.

Foreign exchange reserve

Includes cumulative foreign exchange gains/losses arising on translation of the subsidiary results into the group's functional currency.

Notes (continued)

23 Share based payments

The company has the following share-based payment arrangements in place.

Joint Share Ownership Plan

A Joint Share Ownership Plan ("JSOP") was implemented in 2019, in order to provide certain new and existing management with an interest in the share capital of the company.

The plan enables certain employees to acquire an interest in the shares of the company. The shares are held jointly by the employee and the original shareholder that currently owns the shares but who have since left the company.

Under the terms of the Joint Ownership Agreement, the acquired interest in a jointly owned share is an interest in the future growth in value of that share over and above the value that was agreed and paid to the original shareholders (see note 22). There is no fixed term to the arrangement and the interest is realised only on the occurrence of an exit event, being the sale or listing of the group.

JSOP shares acquired and allocated:

	Number of instruments	Vesting conditions	Contractual life
JSOP B1 Ordinary shares	16,266	On exit event	On cessation of employment
JSOP B2 Ordinary shares	11,256	On exit event	On cessation of employment
JSOP C2 Ordinary shares	111,268	On exit event	On cessation of employment
	<hr/> 138,790 <hr/>		

The JSOP plan represents a share-based payment arrangement as a transaction in which the entity receives services in the form of employment services. However, no expense and corresponding entry to equity or liability arises on the basis that employees are acquiring the interest, paying an amount equal to the market value of the interest when they are acquired.

The JSOP scheme was collapsed in March 2022 as part of a change in ownership of the Alcumus Group. Please refer to Note 31 for further detail.

Employee Share Option plan

In addition to the JSOP arrangement discussed above, the company also implemented a share option plan.

Share options are granted to employees providing the right to acquire a number of shares, by exercising the option, in connection with an exit for the shareholders of the company being a future sale or listing of the Group. There is no defined term, however, options lapse when an employee ceases employment, other than for a 'good leaver' reason, unless there is an exit within eight months of an employee's leaving date.

Options are granted with an exercise price being the price required to be paid for each share by the holder to exercise the option.

Details of the options granted, including the number and class of shares subject to the option are as follows:

	Method of settlement accounting	Number of instruments	Vesting conditions	Contractual life of options
Equity-settled award granted on 31 July 2019	Equity	7,354	On exit event	10 years

Notes (continued)

23 Share based payments (continued)

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2021	Number of options 2021
Outstanding at the start of the year	£67.99	7,354
Lapsed during the year	-	(7,354)
Outstanding at the end of the year	-	-
Exercisable at the end of the year	-	-

The fair value of services received in return for share options granted is measured by reference to the fair value of goods or services received or reference to the fair value of share options granted.

In this case, the exit condition is in substance a vesting condition. There is no defined term, however, options lapse when an employee ceases employment, other than for a 'good leaver' reason, unless there is an exit within eight months of an employee's leaving date. Thus, the exit event is a non-market performance condition.

Accounting for this arrangement is as a grant with a variable vesting period depending on a non-market performance condition, recognising the cost over the expected vesting period with true-up for the actual vesting period and the actual number of equity instruments granted.

The share options lapsed during 2021 as a result of the option holder leaving the business.

Employee Benefit Trust (EBT)

The company established an Employee Benefit Trust (EBT) in January 2021 and appointed Ocorian Trustees (Jersey) Limited as Trustee. The EBT is funded through loans from Alcumus Group Limited and its indirect subsidiary, Alcumus ISOQAR Limited.

The EBT was set up to subscribe for or purchase shares; transfer shares to beneficiaries of the Trust on vesting or exercise of Awards by such beneficiaries; sell shares for market value; and pay cash to beneficiaries of the Trust on maturity of Awards granted to such beneficiaries using the net value of funds raised from the sale of Shares. As set out in the Trust deeds, the capital of the Residuary Fund should be applied firstly to cover any costs incurred by the Trust; secondly in the acquisition of shares to be held and applied by the Trustee; thirdly in repaying any money borrowed by the Trustee; fourthly in making payments to one or more of the Beneficiaries at its discretion and fifthly, by applying so much therefor as the Trustee in its absolute discretion thinks fit to or for the welfare or benefit of any one or more of the Beneficiaries.

The equity instruments are not listed or publicly traded on a stock exchange or market. The Trust has not issued any equity instruments under option to employees. No dividends have been paid by the sponsoring entity, Alcumus Group Limited.

The EBT is a member of the JSOP scheme mentioned above. As at 31 December 2021, the EBT held the following shares:

	Number of instruments
B1 Ordinary shares – jointly held with two other parties	7,009
B2 Ordinary shares – jointly held with one other party	3,174
B2 Ordinary shares – jointly held with two other parties	4,745
C2 Ordinary shares – jointly held with one other party	10,000
C2 Ordinary shares – jointly held with two other parties	60,200
	85,128

Notes (continued)

24 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 £1,319,000 (2020: £1,067,000).

25 Operating lease commitments

At 31 December 2021, the group had commitments under non-cancellable operating leases as follows:

	2021		2020	
	Other £000	Land and buildings £000	Other £000	Land and buildings £000
Group				
Within one year	16	285	16	302
Between two and five years	16	1,239	31	1,165
More than five years	-	1,140	-	1,492
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

26 Related party transactions

All transactions and balances with Alcumus Group Limited's wholly owned subsidiaries have been eliminated upon consolidation. The Company has taken advantage of the exemption available under Financial Reporting Standard 102 from disclosing transactions with other wholly owned group companies.

In April 2021, an interest-free loan of £2,500,000 was issued to a director. There is no fixed duration, and the loan can be repaid at any time. The loan was repaid to the Alcumus Group in March 2022. Please refer to note 31 for further details.

In January 2021, the Alcumus Group set up an Employee Benefit Trust (EBT) and appointed Ocorian Trustees (Jersey) Limited as trustee. The EBT was initially funded by a £100 contribution from Alcumus Group Limited and a £400,000 interest-free loan from Alcumus ISOQAR Limited. The EBT is treated as a branch of Alcumus Group Limited, and these transactions are therefore treated as intercompany balances. Please refer to note 23 for further details.

27 Ultimate controlling party

At 31 December 2021 Alcumus Group Limited headed the only group to consolidate this entity. The directors did not consider there to be an ultimate controlling party. Funds managed by Inflexion Equity Partners LLP had an economic interest of 80% in the equity share capital of Alcumus Group Limited as at 31 December 2021.

Inflexion Equity Partners LLP's shareholding in the Alcumus Group was acquired by Apax Partners LLP on 9 March 2022. Please refer to note 31 for further detail.

Notes (continued)

28 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 PIKco Topco Limited	Note 1	13086441	Holding company	100%	-
Alcumus PIKco Midco Limited	Note 1	13087054	Holding company	100%	-
Alcumus PIKco Bidco Limited	Note 1	13087002	Holding company	100%	-
Alcumus Bidco Limited	Note 1	09794274	Holding company	100%	-
Alcumus Holdings Limited	Note 1	06955372	Holding company	100%	-
Alcumus Isoqar Limited	Note 1	02637608	Certification services	100%	-
Alcumus PSM Limited	Note 1	02603010	Accreditation	100%	-
Alcumus Info Exchange Limited	Note 1	04111074	Software	100%	-
Alcumus Sypol Limited	Note 1	04152975	Software	100%	-
Alcumus Safecontractor Limited	Note 1	07618138	Accreditation	100%	-
eCompliance Management Solutions Inc	Note 2	n/a	Software	100%	-
Alcumus Banyard Holdings Limited	Note 1	06648423	Holding company	100%	-
Banyard Solutions Limited	Note 1	04914922	Accreditation	100%	-
Alcumus ContractorCheck Inc	Note 2	n/a	Accreditation	100%	-
Alcumus Americas LLC	Note 3	n/a	Certification	100%	-
Mango Limited	Note 4	n/a	Software	100%	-
Mango Software Limited	Note 4	n/a	Software	100%	-
Riley Software Limited	Note 1	n/a	Software	100%	-

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 these entities is 111 Queen Street East, Toronto, Ontario, M5C 1S2, Canada

Note 3) The registered office address of this entity is 1209 Orange Street, City of Wilmington, New Castle County, Delaware

Note 4) The registered office address of this entity is 5/77 Williams Street, Kaiapoi, 7630, New Zealand

29 Accounting estimates and 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 readily apparent from other sources. These estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Critical accounting judgements in applying the company's accounting policies:

In the course of preparing the financial statements, no judgements have been made in the process of applying the Company's accounting policies, other than those involving estimations (which are dealt with separately below), that have had a significant effect on the amounts recognised in the financial statements.

Source of estimation uncertainty and judgements involving estimations:

The company does not have any key assumptions concerning the future, or other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Useful economic lives and valuation of goodwill and intangible assets

Notwithstanding this, as significant balances are the group's goodwill and other 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, 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.

Notes (continued)

30 Net debt

The below is an analysis of changes in net debt from the beginning to the end of the current reporting period:

	Borrowings due within one year £000	Borrowings due after one year £000	Obligations under finance lease liabilities £000	Cash and cash equivalents £000	Net debt £000
Balance at 1 January 2021	(1,773)	(235,777)	(1,307)	12,065	(226,792)
Cash flows	927	(7,368)	790	(10,233)	(15,884)
Acquired with subsidiary	-	-	-	1,002	1,002
Non-cash changes	-	(3,998)	-	-	(3,998)
Balance at 31 December 2021	(846)	(247,143)	(517)	2,834	(245,672)

Borrowings include loan notes, PIK loan notes, bank loans and accrued interest payable.

31 Post balance sheet events

On 9 March 2022, Apax Partners LLP acquired Inflexion's holding in the Alcumus Group. As part of the transaction, Alcumus Group Limited became a 100% owned subsidiary of Dragon UK Bidco Limited (company number 13892607). The ultimate controlling parent of the group post-transaction is Dragon Holdco (Guernsey) Limited (company number 70337).

As part of the transaction, the Alcumus Group settled all external debt held on its balance sheet as at 31 December 2021, namely:

- Bank loans of £141.6m
- Loan notes of £61.2m and related accrued interest of £45.1m

As part of the transaction, the Director Loans of £2.5m and the Shareholder Loans of £7.5m (which were included within the Own Share Reserve as at 31 December 2021) were also settled.

Following the transaction, the Alcumus Group entered into a new external debt arrangement, borrowing £240m in total.

On 30th June 2022, Alcumus Holdings Limited, a subsidiary of Alcumus Group Limited, acquired 100% of the ordinary share capital of Cognibox Limited. Cognibox is a contractor management software company, based in Quebec, Canada. Cognibox provides a suite of solutions to mitigate contractor risk, including tools to manage qualification, compliance, safety monitoring, worker onboarding, and training.

On 21 October 2022, the group disposed of its entire 100% shareholdings in Alcumus Info Exchange Limited, Alcumus Sygol Limited, eCompliance Management Solutions Inc, Alcumus Banyard Holdings Limited, Riley Software Limited, Mango Software Limited and Alcumus Americas LLC, all of which were subsidiaries of Alcumus Holdings Limited. In addition, the group disposed of its entire 100% shareholdings in Banyard Solutions Limited, a subsidiary of Alcumus Banyard Holdings Limited and Mango Limited, a subsidiary of Mango Software Limited. In all cases, the shareholdings were sold for values which did not provide any indication of impairment at the balance sheet date.