

**Alcumus Group Limited**

**Annual report and consolidated  
financial statements**

**Registered number 09793309**

**For the year ended 31 December 2020**



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## Company information

### Directors

M Williams  
A Franklin  
T Jackson  
NW Rosenberg  
RS Halbert (resigned 29 January 2020)  
B A R Sciard (appointed 30 January 2020)  
S Ferrarini (appointed 13 August 2020)

### Secretary

Mrs Suzie Chetri

### 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

NatWest  
250 Bishopsgate  
London  
EC2M 4AA

CEDL III S.à.r.l./CEDL III (Levered) S.à.r.l., CEDL SMA S.à.r.l., CEDL I S.à.r.l.  
51 Avenue John F Kennedy  
L-1855 Luxembourg

## Strategic Report

The directors present the Strategic Report for Alcumus for the year ended 31 December 2020 with comparatives for the year ended 31 December 2019.

### Business review and future developments

Alcumus is a market-leading risk management and 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. Our mission is to enable organisations to be safer, healthier and stronger. In 2020 our key area of focus was 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 revenue and EBITDA growth continue despite the challenges presented by the Covid-19 pandemic. 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's people.

In June 2020 we strengthened Alcumus further through the strategic acquisitions of Banyard Solutions Limited in the UK and the trade and assets of ContractorCheck Inc. in Canada. Both acquisitions bring high levels of recurring revenue and further strengthen our software-focused solution for customers in the UK and North America.

In the annual financial statements for the year ended 31 December 2020 revenues of £54.7m were delivered (2019: £49.3m). EBITDA was £19.7m (2019: £19.5m).

EBITDA can be reconciled to the Operating loss as follows:

£'000	2020	2019
EBITDA	19,691	19,450
Depreciation/Amortisation	(20,530)	(18,232)
Restructuring and other non-operating costs	(3,708)	(2,798)
Funding related management costs	(316)	(275)
Disposal of tangible fixed assets	126	97
Consolidation Adjustments	621	0
Other	44	16
<b>Operating loss</b>	<b>(4,071)</b>	<b>(1,742)</b>

## Strategic Report (*continued*)

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

In 2020, strong organic growth continued to be delivered in spite of the Covid-19 pandemic, focused on services and sectors with the following characteristics:

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

In November 2020, Alcumus reorganised its UK operations from a product-centric organisational design to one that is customer-centric. There are now just two UK divisions - one focused on Small & Medium-sized customers and the other focused on large Enterprise customers. This is a very important step towards unlocking the potential to cross-sell our products and ensuring that our propositions are tailored to the specific needs of our customers.

Banyard Solutions, which was acquired in June, has been fully integrated into the UK Enterprise division and has added a market-leading Permit To Work and Control of Work offering to Alcumus's existing world-class software solutions aimed at large Enterprise customers.

ContractorCheck, which was also acquired halfway through the year, has been integrated into the existing eCompliance business in Canada, with the businesses combining to form a North America division under common leadership. Tyler Davey joined Alcumus in October 2020 as CEO for this North America division.

Alcumus now supports almost 45,000 clients both in the UK and internationally. Through market leading software, accreditation, certification and consultancy services, Alcumus helps to transform the responsibility of protecting people, customers, assets and reputation into a competitive advantage for clients. With Alcumus, clients can look forward with confidence to a safer, healthier and stronger business.

The balance sheet is robust with long term funding from Inflexion Private Equity (£49.7m), CEDL (£103.0m) and two other funding banks (£30.0m in total). 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.

In 2021, the management team are expected to continue to drive organic and above market recurring revenue growth in the business. Alcumus is well capitalised and supported and also expects to take advantage of further strategic acquisition opportunities in due course.

2020 was a year of almost unparalleled uncertainty and challenge caused by the pandemic. The way that the organisation responded to that challenge was incredible. We would like to thank every single one of our employees for the part that they played in this. It is because of them that Alcumus has emerged from the pandemic an even stronger and better business than the one that went into it.

### 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 number of businesses requiring compliance or certification services in addition to adverse changes in the regulatory or commercial environment. At the present time, this risk is deemed to be very low and Alcumus is seeing growth in all of its key markets

## Strategic Report *(continued)*

### Principal risks and uncertainties *(continued)*

The directors have considered the impact of the current Covid-19 pandemic on the business, with a particular focus on its effect on the Group's and Company's employees, customers and suppliers. The Group adapted very well; swiftly and successfully moving to remote working and helping to support its customers through the pandemic. The Directors consider the Group to have sufficient financial resources to continue for the foreseeable future in spite of the ongoing situation.

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

### Financial 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.

### Sustainability

Alcumus has recently launched a new sustainability programme (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. In 2020, some of the actions taken include support on a flood relief project in Nantgarw (where Alcumus' head office is based), COVID-19 support projects (such as provision of free meals) and tree planting.

### Streamlined Energy and Carbon Reporting

Alcumus is reporting on all UK subsidiaries within the group (as listed on page 42 with the registered office shown as note 1) for the period from 1 January 2020 to 31 December 2020, and the consumption of reportable energy for these companies was as follows:

Electricity 529,952 kWh

Gas 31,006 kWh

Oil 33,521 kWh

883,215 miles of travel mileage incurred by employees, paid for by the group.

This equates to 388,421 kg CO<sub>2</sub> for the financial reporting year.

## Strategic Report *(continued)*

### Streamlined Energy and Carbon Reporting *(continued)*

As part of The Healthy People, Planet and Business Programme, Alcumus' energy use across its offices is constantly monitored. A number of energy saving and renewable energy initiatives were implemented in 2020, including the installation of electric vehicle charging points at Alcumus' head office, an update of all light fittings to incorporate LED luminaires and initiatives to reduce business travel. In 2021, this work has continued with additional measures, including the installation of solar panels at Alcumus' head office.

The group uses on average 633.64 kg CO<sub>2</sub> for each UK employee.

This is Alcumus' first year of reporting and so comparative figures have not been provided.

Energy consumption for electricity and gas has been taken from utility bills. Actual readings are used to verify billing accuracy. Alcumus' head office's electricity use is monitored through a third-party, Stark. This facility is used to verify consumption. Remote metering has recently been installed in Manchester. This allows analysis of daily and weekly energy use, helping to understand baseline data and mitigate abnormal events.

Oil consumption is taken from delivery notes.

Travel energy use is taken from Alcumus' Concur expense platform. Each business car journey has start and end points entered, an automatic distance travelled figure is provided. Mileage to energy use is made from the Defra UK Government GHG Conversion Factors for Company Reporting 2020 conversion factors for Passenger Vehicles by Type, and Business Travel air by Haul and Class.

By order of the Board



**A Franklin**  
*Director*

13 August 2021

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 2020.

### Principal activities

Alcumus is a market-leading risk management and 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 £36,115,000 (2019: £24,119,000).

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

### Directors

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

M Williams  
A Franklin  
T Jackson  
NW Rosenberg  
B A R Sciard (appointed 30 January 2020)  
RS Halbert (resigned 29 January 2020)  
S Ferrarini (appointed 13 August 2020)

### 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. This has been particularly important during the Covid-19 pandemic.

### **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.



**A Franklin**  
*Director*

Axys House  
Heol Crochendy  
Parc Nantgarw  
Cardiff  
CF15 7TW

13 August 2021

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS**

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

Company law requires the directors to prepare financial statements for each financial 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 2020 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 2020 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 recorded 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.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls.

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 due to non-compliance with laws and regulations*

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

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

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

Firstly, the 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](http://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

13 August 2021

## Consolidated Profit and Loss Account and Other Comprehensive Income for the year ended 31 December 2020

	<i>Note</i>	2020 £000	2019 Continuing £000	2019 Discontinued £000	2019 Total £000
<b>Turnover</b>	1,2	54,731	46,236	3,087	49,323
Cost of sales		(13,304)	(11,978)	(1,662)	(13,640)
<b>Gross profit</b>		41,427	34,258	1,425	35,683
Administrative expenses		(45,624)	(33,577)	(3,945)	(37,522)
Other operating income – net gain on disposal of tangible fixed assets		126	97	-	97
<b>Operating loss</b>		(4,071)	778	(2,520)	(1,742)
Loss on disposal of subsidiary		-	-	(3,686)	(3,686)
Interest receivable and similar income		33	7	-	7
Interest payable and similar expenses	6	(32,811)	(18,538)	-	(18,538)
<b>Loss before taxation</b>	3-5	(36,849)	(17,753)	(6,206)	(23,959)
Taxation	7	734	(160)	-	(160)
<b>Loss and total comprehensive loss for the financial year</b>		(36,115)	(17,913)	(6,206)	(24,119)

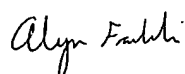
All 2020 operations are classed as continuing.

The notes form part of these financial statements.

**Consolidated Balance Sheet**  
*at 31 December 2020*

	Note	2020	2019
		£000	£000
<b>Fixed assets</b>			
<i>Intangible assets</i>			
Goodwill	8	71,481	72,916
Other intangibles	9	32,526	31,683
		<hr/>	<hr/>
		104,007	104,599
		5,142	5,926
		<hr/>	<hr/>
		109,149	110,525
<b>Current assets</b>			
Debtors	12	12,403	12,261
Cash at bank and in hand		12,065	6,799
		<hr/>	<hr/>
		24,468	19,060
<b>Creditors: amounts falling due within one year</b>	13	(31,486)	(19,960)
		<hr/>	<hr/>
<b>Net current liabilities</b>		(7,018)	(900)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		102,131	109,625
<b>Creditors: amounts falling due after more than one year</b>	14	(236,891)	(206,219)
<b>Provisions for liabilities</b>			
Deferred tax	17	(3,497)	(4,898)
Other provisions	18	(46)	(225)
		<hr/>	<hr/>
		(3,543)	(5,123)
		<hr/>	<hr/>
<b>Net liabilities</b>		(138,303)	(101,717)
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	22	18	18
Share premium account	22	1,491	1,491
Capital redemption reserve	22	4	4
Own share reserve	22	(4,472)	(4,472)
Foreign exchange reserve	22	(492)	(21)
Profit and loss account	22	(134,852)	(98,737)
		<hr/>	<hr/>
<b>Shareholders' deficit</b>		(138,303)	(101,717)
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 13 August 2021 and were signed on its behalf by:



**A Franklin**  
Director

Company registered number: 09793309

The notes form part of these financial statements.



**Company Balance Sheet**  
*at 31 December 2020*

	<i>Note</i>	<b>2020</b>	<b>2019</b>
		<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>			
Investments	<i>11</i>	771	771
<b>Current assets</b>			
Debtors	<i>12</i>	2,346	2,346
<b>Creditors: amounts falling due within one year</b>	<i>13</i>	(1,929)	(1,727)
<b>Net current assets</b>		<u>417</u>	<u>619</u>
<b>Net assets</b>		<u><u>1,188</u></u>	<u><u>1,390</u></u>
<b>Capital and reserves</b>			
Called up share capital	<i>22</i>	18	18
Share premium account	<i>22</i>	1,491	1,491
Capital redemption reserve	<i>22</i>	4	4
Profit and loss account	<i>22</i>	(325)	(123)
<b>Shareholders' funds</b>		<u><u>1,188</u></u>	<u><u>1,390</u></u>

These financial statements were approved by the board of directors on 13 August 2021 and were signed on its behalf by:



**A Franklin**  
*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 2020

	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 2019	18	1,494	1	-	-	(74,618)	(73,105)
<b>Comprehensive loss for the financial period</b>							
Loss for the financial period	-	-	-	-	-	(24,119)	(24,119)
<b>Total comprehensive loss for the financial period</b>	-	-	-	-	-	(24,119)	(24,119)
<b>Transactions with owners, recorded directly in equity</b>							
Foreign exchange differences on translation of subsidiary undertakings	-	-	-	-	(21)	-	(21)
Own shares acquired	-	(3)	3	(4,472)	-	-	(4,472)
<b>Total transactions with owners, recorded directly in equity</b>	-	(3)	3	(4,472)	(21)	-	(4,493)
<b>At 31 December 2019</b>	<b>18</b>	<b>1,491</b>	<b>4</b>	<b>(4,472)</b>	<b>(21)</b>	<b>(98,737)</b>	<b>(101,717)</b>

	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)
<b>Comprehensive loss for the financial period</b>							
Loss for the financial period	-	-	-	-	-	(36,115)	(36,115)
<b>Total comprehensive loss for the financial period</b>	-	-	-	-	-	(36,115)	(36,115)
<b>Transactions with owners, recorded directly in equity</b>							
Foreign exchange differences on translation of subsidiary undertakings	-	-	-	-	(471)	-	(471)
<b>Total transactions with owners, recorded directly in equity</b>	-	-	-	-	(471)	-	(471)
<b>At 31 December 2020</b>	<b>18</b>	<b>1,491</b>	<b>4</b>	<b>(4,472)</b>	<b>(492)</b>	<b>(134,852)</b>	<b>(138,303)</b>

**Company Statement of Changes in Equity**  
*for the year ended 31 December 2020*

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	18	1,494	1	(77)	1,436
<b>Comprehensive income for the financial period</b>					
Loss for the financial period	-	-	-	(46)	(46)
<b>Total comprehensive income for the financial period</b>	-	-	-	(46)	(46)
<b>Transactions with owners, recorded directly in equity</b>					
Own shares acquired	-	(3)	3	-	-
<b>Total transactions with owners, recorded directly in equity</b>	-	(3)	3	-	-
<b>At 31 December 2019</b>	<b>18</b>	<b>1,491</b>	<b>4</b>	<b>(123)</b>	<b>1,390</b>
Balance at 1 January 2020	18	1,491	4	(123)	1,390
<b>Comprehensive income for the financial year</b>					
Loss for the financial year	-	-	-	(202)	(202)
<b>Total comprehensive income for the financial year</b>	-	-	-	(202)	(202)
<b>Transactions with owners, recorded directly in equity</b>					
Own shares acquired	-	-	-	-	-
<b>Total transactions with owners, recorded directly in equity</b>	-	-	-	-	-
<b>At 31 December 2020</b>	<b>18</b>	<b>1,491</b>	<b>4</b>	<b>(325)</b>	<b>1,188</b>

**Consolidated Cash Flow Statement**  
*for the year ended 31 December 2020*

	2020 £000	2019 £000
<b>Cash flows from operating activities</b>		
Loss for the period	(36,115)	(24,119)
<i>Adjustments for:</i>		
Depreciation, amortisation and impairment	20,530	18,232
Interest receivable and similar income	(33)	(7)
Interest payable and similar expenses	32,811	18,538
Gain on sale of tangible fixed assets	(126)	(97)
Loss on sale of discontinued operations	-	3,686
Taxation	(734)	160
	<hr/> 16,333	<hr/> 16,393
Decrease/(increase) in trade and other debtors	142	(4,281)
Increase in trade and other creditors	7,445	1,335
	<hr/> 23,920	<hr/> 13,447
Tax received/(paid)	(963)	288
	<hr/> 22,957	<hr/> 13,735
<b>Cash flows from investing activities</b>		
Proceeds from sale of tangible fixed assets	641	97
Interest received	33	7
Acquisition of a subsidiaries	(6,307)	(25,164)
Costs incurred on disposal of a subsidiary	-	(1,025)
Acquisition of tangible fixed assets	(651)	(734)
Acquisition of other intangible assets	(5,294)	(3,845)
	<hr/> (11,578)	<hr/> (30,664)
<b>Cash flows from financing activities</b>		
Redemption of loan notes	(10,000)	-
Proceeds from new loans	-	13,000
Proceeds from new loan notes	20,000	12,466
Repurchase of own shares	-	(4,472)
Interest paid	(15,524)	(8,528)
Payment of debt issue costs	(120)	(608)
Net finance lease (payments)/receipts	(722)	(171)
	<hr/> (6,366)	<hr/> 11,687
<b>Net increase in cash and cash equivalents</b>	<hr/> 5,013	<hr/> (5,242)
Cash acquired with acquisition of subsidiary	253	577
Disposed of with sale of subsidiary	-	18
Cash and cash equivalents at beginning of period	6,799	11,446
	<hr/> 12,065	<hr/> 6,799
<b>Cash and cash equivalents at end of period</b>	<hr/> <hr/> 12,065	<hr/> <hr/> 6,799

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 £36.1 million and net current liabilities of £7.0 million, and considering operating cash inflows of £23.0 million for the year ended 31 December 2020, 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 17 months from the date of approval of these financial statements.

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’s products and services are critical enablers for its customers, have remained that way during the pandemic and are expected to remain so thereafter. All divisions of the Group have remained open for business throughout the pandemic, continuing to provide customers with services, some of which have been undertaken remotely with minimal disruption.

The Group has not experienced significant disruption to the services being delivered or to the Group’s anticipated performance and strategic direction. Since the start of the pandemic, there has been no material impact on customer retention or renewal rates across all divisions. Trading through 2020 experienced a steady recovering following an initial dip at the point of the first lockdown in March 2020 with customer cash receipts and new business levels quickly recovering back to pre-pandemic levels by the end of Q3 2020.

## Notes

*(forming part of the financial statements)*

### *Going concern (continued)*

However, the pandemic is continuing to have an economic impact throughout the global economy and as at the date of this report its duration and impact remains unclear. Given the unprecedented situation, the directors have modelled severe but plausible downside scenarios involving further potential effects of COVID-19 including a drop off in both new business and renewals across all divisions of the Group, and a further lockdown scenario for two months in the winter of 2020/2021.

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 forthcoming financial year and for the foreseeable future. As a result, the Group is expected to remain in full compliance with its loan covenants and to be able to meet its financial obligations as they fall due. 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.

### *Basis of consolidation*

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings up to 31 December 2020. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

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

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

### *Foreign currency*

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

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

## 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 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.

### 2 Turnover

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

	2020 £000	2019 £000
Accreditation	22,397	23,192
Certification	13,469	12,755
Software	18,865	13,376
	<hr/> 54,731 <hr/>	<hr/> 49,323 <hr/>
	2020 £000	2019 £000
United Kingdom	45,594	45,780
Europe	653	543
Rest of the world	8,484	3,000
	<hr/> 54,731 <hr/>	<hr/> 49,323 <hr/>

## Notes (continued)

### 3 Expenses and auditor's remuneration

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

	2020 £000	2019 £000
Depreciation of tangible fixed assets	1,165	1,488
Amortisation of goodwill	11,859	10,915
Amortisation of other intangible fixed assets	7,506	5,829
Foreign exchange (gains)/losses	492	588
<i>Auditor's remuneration:</i>		
Audit of these financial statements	29	84
Audit of financial statements of subsidiaries	121	65
Other services including taxation	60	82
Restructuring and other non-operating costs (see note below)	3,708	2,798
Management costs	316	275
Operating lease rentals:		
- land & buildings	302	299
- 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:

	2020 Number	2019 Number
Auditors	137	139
Consultants	54	79
Helpdesk	14	16
Sales and marketing	125	52
Management and administration	256	241
	586	527

The aggregate payroll costs of the above were:

	2020 £000	2019 £000
Wages and salaries	25,766	21,819
Social security costs	2,165	1,962
Other pension costs	1,067	866
	28,998	24,647

The above costs include income received from the Coronavirus Job Retention Scheme of £351,000.

The compensation for key management personnel totalled £843,000 (2019: £539,000).

## Notes (continued)

### 5 Remuneration of directors

	2020 £000	2019 £000
Directors' emoluments	822	520
Company contributions to defined contribution pension schemes	21	19
	<hr/>	<hr/>
	843	539
	<hr/>	<hr/>

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 £351,000 (2019: £297,000). The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £9,000 (2019: £15,000).

### 6 Interest payable and similar expenses

	2020 £000	2019 £000
On loan notes	24,711	9,148
On bank borrowings	7,234	8,616
On finance lease obligations	107	158
Amortisation of debt issue costs	759	616
	<hr/>	<hr/>
	32,811	18,538
	<hr/>	<hr/>

## Notes (continued)

### 7 Taxation

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

	2020 £000	2019 £000
<i>Current tax</i>		
UK corporation tax on income for the period	1,149	515
Adjustments in respect of prior periods	98	(69)
	<hr/>	<hr/>
Total current tax	1,247	446
<i>Deferred tax (see note 17)</i>		
Origination and reversal of timing differences	(614)	(334)
Adjustments in respect of prior periods	(1,385)	48
Effect of tax rate change on opening balance	18	-
	<hr/>	<hr/>
Total deferred tax	(1,981)	(286)
	<hr/>	<hr/>
Total tax (all recognised in the Profit and Loss account)	(734)	160
	<hr/> <hr/>	<hr/> <hr/>

#### Reconciliation of effective tax rate

	2020 £000	2019 £000
Loss for the year	(36,115)	(24,119)
Total tax	(734)	160
	<hr/>	<hr/>
Loss excluding taxation	(36,849)	(23,959)
Tax using the UK corporation tax rate of 19% (2019: 19%)	(7,001)	(4,552)
Tax rate differences	577	151
Non-deductible expenses	6,922	3,949
Fixed asset differences	54	-
Depreciation on assets ineligible for capital allowances	-	93
Utilisation of losses for which no deferred tax asset was recognised	1	683
Research & Development deduction	-	(143)
Adjustments in respect of prior periods	98	(21)
Adjustments in respect of prior periods (deferred tax)	(1,385)	-
	<hr/>	<hr/>
Total tax expense/(credit) included in profit or loss	(734)	160
	<hr/> <hr/>	<hr/> <hr/>

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020. This change was substantively enacted on 17 March 2020, and the UK deferred tax balance as at 31 December 2020 has been calculated based on this rate.

In the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will increase the company's future current tax charge and deferred tax balances accordingly. If this rate change had been substantively enacted at the current balance sheet date, the deferred tax liability would have increased by approximately £1,000,000.

**Notes** *(continued)*

**8 Goodwill**

<b>Group</b>	<b>Goodwill £000</b>
<i>Cost</i>	
At 1 January 2020	127,655
Acquired with acquisition of subsidiary (note 19 and 20)	10,424
	<hr/>
At 31 December 2020	138,079
	<hr/> <hr/>
<i>Amortisation</i>	
At 1 January 2020	54,739
Amortisation for the period	11,859
	<hr/>
At 31 December 2020	66,598
	<hr/> <hr/>
<b>Net book value</b>	
<b>At 31 December 2020</b>	<b>71,481</b>
	<hr/> <hr/>
At 31 December 2019	72,916
	<hr/> <hr/>



## Notes (continued)

### 9 Other intangible fixed assets

#### Group

	Accreditation £000	Customer relationships £000	Brand £000	Technology and software £000	Total £000
<b>Cost</b>					
At 1 January 2020	2,558	28,171	8,711	10,124	49,564
Additions	-	-	-	5,294	5,294
Acquired with acquisition of subsidiary (Note 19 and 20)	-	2,702	232	121	3,055
Disposals	-	-	-	-	-
At 31 December 2020	2,558	30,873	8,943	15,539	57,913
<b>Amortisation and impairment</b>					
At 1 January 2020	722	10,399	2,357	4,403	17,881
Amortisation for the year	171	2,940	579	3,816	7,506
Disposals	-	-	-	-	-
At 31 December 2020	893	13,339	2,936	8,219	25,387
<b>Net book value</b>					
At 31 December 2020	1,665	17,534	6,007	7,320	32,526
At 31 December 2019	1,836	17,772	6,354	5,721	31,683

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
<b>Group</b>					
<b>Cost</b>					
At 1 January 2020	5,004	105	2,709	1,245	9,063
Acquired with acquisition of subsidiaries	-	-	-	4	4
Additions	6	135	241	510	892
Disposals	-	(123)	(792)	-	(915)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	5,010	117	2,158	1,759	9,044
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>					
At 1 January 2020	919	37	1,516	665	3,137
Charge for the period	159	143	353	510	1,165
Released on disposals	-	(111)	(289)	-	(400)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	1,078	69	1,580	1,175	3,902
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>					
At 31 December 2020	3,932	48	578	584	5,142
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	4,085	68	1,193	580	5,926
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

#### Leased assets

At 31 December 2020 the depreciation charge in the period and net carrying amount of assets leased under a finance lease was as follows:

Group	2020 Depreciation £000	2019 Depreciation £000	2020 Net book value £000	2019 Net book value £000
Leasehold improvements	143	145	48	68
Motor vehicles	353	688	578	1,193
Fixtures, fittings and equipment	-	4	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	496	837	626	1,261
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 11 Fixed asset investments

	Shares in group undertakings £000
Company	
At 1 January 2020	771
Additions	-
	<hr/>
At 31 December 2020	771
	<hr/> <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

	2020		2019	
	Group £000	Company £000	Group £000	Company £000
<i>Due within one year</i>				
Trade debtors	8,471	-	8,034	-
Other debtors	2,335	27	2,745	27
Prepayments and accrued income	1,597	-	1,482	-
Amounts owed by group undertakings	-	2,319	-	2,319
	<hr/>	<hr/>	<hr/>	<hr/>
	12,403	2,346	12,261	2,346
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

	2020		2019	
	Group £000	Company £000	Group £000	Company £000
Loan notes (note 14)	1,773	-	-	-
Trade creditors	1,340	-	1,495	-
Obligations under finance leases (note 16)	432	-	609	-
Corporation tax	548	-	264	-
Amounts owed to group undertakings	-	1,929	-	1,727
Social security and other taxes	3,959	-	1,920	-
Other creditors	1,989	-	753	-
Other financial liabilities	1,070	-	-	-
Accruals	4,336	-	1,652	-
Deferred income	16,039	-	13,267	-
	<hr/>	<hr/>	<hr/>	<hr/>
	31,486	1,929	19,960	1,727
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Other financial liabilities include deferred and contingent consideration relating to the acquisitions of Banyard Holdings Limited and ContractorCheck Inc. (see notes 19 and 20).

## Notes (continued)

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

	2020		2019	
	Group £000	Company £000	Group £000	Company £000
Loan notes	39,800	-	50,693	-
PIK loan notes	20,000	-	-	-
Bank loans	130,403	-	127,898	-
Accrued interest payable	41,231	-	26,556	-
Obligations under finance leases (note 16)	875	-	1,072	-
Other financial liabilities	4,582	-	-	-
	<u>236,891</u>	<u>-</u>	<u>206,219</u>	<u>-</u>

#### Loan notes

During the year, the group repaid £10 million of loan notes to Inflexion Private Equity Partners LLP and issued a further £1 million of loan notes in relation to the acquisition of Alcumus Banyard Holdings Limited (note 19).

Loan notes include £39,534,000 of loan notes which are listed on the Channel Islands Securities Exchange ("CISX"). Interest is charged on all loan notes at 12% and is repayable in instalments on the same dates as the loan principal. Of the loan notes due after more than one year, £846,000 is due in December 2022 and £38,954,000 is due in December 2023.

#### 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%.

#### Bank loans

Bank loans are stated net of unamortised issue costs of £4,343,000 (2019: £5,102,000).

There was a £133,000,000 term loan facility in place at 31 December 2019. Interest totalling £1,746,000 due in 2020 was capitalised, thus increasing the facility to £134,746,000 in the year.

The bank loans outstanding at 31 December 2020 are due for repayment in full as follows:

Group	Currency	Nominal interest rate	Year of maturity	2020 £000	2019 £000
Facility B1	GBP	2.75% + LIBOR	2025	30,000	30,000
Facility B2	GBP	7.00% + LIBOR	2025	91,526	90,000
Facility B2 additional	GBP	7.00% + LIBOR	2025	13,220	13,000
				<u>134,746</u>	<u>133,000</u>

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 2020.

#### Other financial liabilities

Other financial liabilities include deferred and contingent consideration relating to the acquisitions of Alcumus Banyard Holdings Limited and ContractorCheck Inc., (see notes 19 and 20).

## Notes (continued)

### 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 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
<b>Creditors falling due more than one year</b>				
Shareholder loan notes	39,800	50,693	-	-
PIK loan notes	20,000	-	-	-
Bank loans	134,746	133,000	-	-
Obligations under finance leases (note 16)	875	1,072	-	-
	<u>195,421</u>	<u>184,765</u>	<u>-</u>	<u>-</u>
<b>Creditors falling due within less than one year</b>				
Shareholder loan notes	1,773	-	-	-
Obligations under finance leases (note 16)	432	609	-	-
	<u>2,205</u>	<u>609</u>	<u>-</u>	<u>-</u>

These amounts fall due as follows:

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
In less than one year	2,205	609	-	-
In the second to fifth years	195,421	51,765	-	-
In more than five years	-	133,000	-	-
	<u>197,626</u>	<u>185,374</u>	<u>-</u>	<u>-</u>

### 16 Other interest bearing loans and borrowings

Finance lease liabilities are payable as follows:

Group	Minimum lease payments 2020 £000	Minimum lease payments 2019 £000
Less than one year	432	609
Between one and five years	875	1,072
More than five years	-	-
	<u>1,307</u>	<u>1,681</u>

## Notes (continued)

### 17 Provisions for liabilities: deferred tax

	2020 £000
At 1 January 2020	4,898
Acquired through business combinations	580
Recognised in the Profit and Loss Account for the year	(1,981)
<b>At 31 December 2020</b>	<b>3,497</b>

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2020 £000	Liabilities 2020 £000	Net 2020 £000	Assets 2019 £000	Liabilities 2019 £000	Net 2019 £000
Arising on business combinations	-	4,789	4,789	-	4,783	4,783
CIR interest restriction	(1,437)	-	(1,437)	-	-	-
Capital allowances	-	215	215	-	159	159
Unused tax losses	(13)	-	(13)	(12)	-	(12)
Other timing differences	(57)	-	(57)	(32)	-	(32)
<b>Net tax (assets) / liabilities</b>	<b>(1,507)</b>	<b>5,004</b>	<b>3,497</b>	<b>(44)</b>	<b>4,942</b>	<b>4,898</b>

In addition to the deferred tax assets and liabilities above, the Group has unrecognised deferred tax assets as follows:

	2020 £000	2019 £000
Unused tax losses	-	-
Capital allowances	-	-
Other timing differences	1,924	1,781
<b>Tax assets</b>	<b>1,924</b>	<b>1,781</b>

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

A provision of £36,000 (2019: £215,000) has been recognised for future costs of an office building vacated in 2018 due to a move to a new office. The provision reflects the rental payments and ongoing operating costs under the lease which expires 17 July 2021. A further provision of £10,000 (2019: £10,000) has been recognised relating to future obligations to perform dilapidation repairs and restore a property to agreed specifications prior to the property being vacated at the end of the lease term.

## Notes (continued)

### 19 Acquisition – Alcumus Banyard Holdings Limited

On 30 June 2020, Alcumus Holdings Limited, a subsidiary of Alcumus Group Limited, acquired 100% of the ordinary share capital of Alcumus Banyard Holdings Limited (previously known as Azure Group Holdings Limited) for total consideration of £3,531,890, including professional fees of £221,018.

Alcumus Banyard Holdings Limited contributed £500,000 of revenue and £27,000 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
<b>Fixed assets</b>			
Intangible fixed assets	4	-	4
Tangible fixed assets	4	-	4
<b>Current assets</b>			
Cash at bank and in hand	253	-	253
Debtors	284	-	284
<b>Total assets</b>	<u>545</u>	<u>-</u>	<u>545</u>
<b>Creditors</b>			
Due within one year	(588)	-	(588)
<b>Total liabilities</b>	<u>(588)</u>	<u>-</u>	<u>(588)</u>
<b>Net identifiable assets and liabilities</b>	<u>(43)</u>	<u>-</u>	<u>(43)</u>
<b>Total cost of business combination</b>			
Cash Paid on Completion			905
Deferred consideration at fair value			1,070
Contingent consideration expected to be paid			336
Loan notes			1,000
Costs directly attributable to the business combination			221
<b>Total consideration</b>			<u>3,532</u>
<b>Goodwill on acquisition</b>			<u>3,575</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 is to be paid in two instalments by 31 December 2020 and 30 June 2021 respectively, whilst the contingent consideration will be performance related and will only be paid upon achievement of a required result. The first instalment of deferred consideration was paid in January 2021.

## Notes (continued)

### 20 Acquisition - ContractorCheck

On 30 June 2020, Alcumus ContractorCheck Inc, a newly incorporated subsidiary of Alcumus Group Limited, acquired the trade and assets of ContractorCheck for total consideration of £9,323,619 including professional fees of £463,720.

Alcumus ContractorCheck Inc contributed £920,000 of revenue and £532,000 of 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 next assets arising are given below:

	Book Value	Fair value adjustments	Recognised acquisition value
	£	£	£
<b>Fixed assets</b>			
Intangible fixed assets	-	3,055	3,055
<b>Current assets</b>			
Debtors	-	-	-
<b>Total assets</b>	<u>-</u>	<u>3,055</u>	<u>3,055</u>
<b>Creditors</b>			
Provisions	-	(580)	(580)
<b>Total liabilities</b>	<u>-</u>	<u>(580)</u>	<u>(580)</u>
<b>Net identifiable assets and liabilities</b>	<u>-</u>	<u>2,475</u>	<u>2,475</u>
<b>Total cost of business combination</b>			
Initial cash paid on completion			4,717
Deferred consideration at fair value			4,143
Costs directly attributable to the business combination			464
<b>Total consideration</b>			<u>9,324</u>
<b>Goodwill on acquisition</b>			<u>6,849</u>

The fair value adjustments relate to the value of 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. The deferred consideration is to be paid in three instalments of CAD\$2m, CAD\$3m and CAD\$4m by 30 November 2021, 31 August 2022 and 31 January 2023 respectively.



## Notes (continued)

### 21 Acquisitions in the prior period – eCompliance Management Solutions Inc

On 30 July 2019, the Alcumus group acquired 100% of the ordinary share capital of eCompliance Management Solutions Inc for total consideration of £26,203,000, including professional fees of £1,090,000. Goodwill arising on the acquisition was £24,539,000.

The business acquired in the comparative period contributed revenue of £2,308,000 and a pre-tax loss of £3,103,000 to the revenue and net profit for the prior year. There have been no changes in provisional fair values, contingent consideration payable and the effect on goodwill since the last reporting period.

### 22 Share capital and reserves

	2020 £000	2019 £000
<i>Allotted, called up and fully paid</i>		
1,177,147 A ordinary shares of £0.01 each	12	12
16,266 B1 ordinary shares of £0.20 each	3	3
17,604 B2 ordinary shares of £0.01 each	-	-
63,250 C1 ordinary shares of £0.015 each	1	1
175,543 C2 ordinary shares of £0.01 each	2	2
	<hr/>	<hr/>
	18	18
	<hr/>	<hr/>

During the period there were no share movements.

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

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

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

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

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

#### *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.

## Notes (continued)

### 22 Share capital and reserves (continued)

#### *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, (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. 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.

#### *Foreign exchange reserve*

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

### 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 19). 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 unallocated:

	Number of instruments	Vesting conditions	Contractual life
JSOP B1 Ordinary shares	14,368	On exit event	On cessation of employment
JSOP B2 Ordinary shares	10,554	On exit event	On cessation of employment
JSOP C2 Ordinary shares	61,092	On exit event	On cessation of employment
	<hr/>		
	86,014		
	<hr/>		
Unallocated JSOP Shares	1,898		

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.

#### *Employee Share Option plan*

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

## Notes (continued)

### 23 Share based payments (continued)

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

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

	Weighted average exercise price 2020	Number of options 2020
Outstanding at the start of the year	£67.99	7,354
Exercised during the year	-	-
<b>Outstanding at the end of the year</b>	<b>£67.99</b>	<b>7,354</b>
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 a service period that runs until the exit event occurs as the employee is entitled to the award only if the employee is still in service when the exit occurs. Thus, the exit event is a non-market performance condition because it is required to occur during the service period.

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.

Based on the current forecasts, the exercise price assigned to the options granted in previous years is not expected to be received.

### 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 £1,067,000 (2019: £866,000).

## Notes (continued)

### 25 Operating lease commitments

At 31 December 2020, the group had commitments under non-cancellable operating leases as follows:

	2020		2019	
	Other £000	Land and buildings £000	Other £000	Land and buildings £000
<b>Group</b>				
Within one year	16	302	16	374
Between two and five years	31	1,165	31	1,528
More than five years	-	1,492	-	1,511

### 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.

### 27 Ultimate controlling party

Alcumus Group Limited heads the only group to consolidate this entity. The directors do not consider there to be an ultimate controlling party. Funds managed by Inflexion Equity Partners LLP have an economic interest of 80% in the equity share capital of Alcumus Group Limited as at 31 December 2020.

### 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 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%	-
Santia Holdco Limited	Note 1	07511550	Dissolved September 2020	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%	-

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

## Notes (continued)

### 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 apparent from other sources. The following are critical judgements that the directors have made in the process of applying the Group's accounting policies.

#### *Recognition of deferred tax asset*

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

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

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

### 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 2020	-	205,147	1,681	(6,799)	200,029
Cash flows	-	(5,644)	(722)	(5,013)	(11,379)
Non-cash changes	1,773	31,931	348	(253)	33,799
<b>Balance at 31 December 2020</b>	<b>1,773</b>	<b>231,434</b>	<b>1,307</b>	<b>(12,065)</b>	<b>222,449</b>

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