

Registered number: 09274241

CONDECO GROUP LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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CONDECO GROUP LIMITED

COMPANY INFORMATION

Directors

L R Garrett
P R Statham
G W Vincent
P G Goodridge
F G Gloster
J G M Tardy-Joubert

Registered number 09274241

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CONDECO GROUP LIMITED

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CONDECO GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Introduction

The directors present their Strategic Report for Condeco Group Limited ('the Company') and its subsidiary companies (together 'the Group') for the year ended 31 December 2020. The comparative period is seven months to 31 December 2019 as a result of the Board's decision to have a short financial period to December 2019 to align with the majority of technology companies.

Principal activity

The Group is the pioneering market leader in cloud-based workspace management and resource scheduling software helping brands across the globe enable flexible working and transform their workplace for the future.

Condeco business model

Condeco's cloud software services are provided as Software-as-a-Service ("SaaS") and delivered via Microsoft Azure. This enables customers to have one, standardized resource scheduling platform for their entire global organization and enables Condeco to deliver industry leading levels of performance, security, uptime and scalability. Customers will contract either directly with Condeco or via a reseller. The majority of customers sign an initial 3-year contract with annual payments. Condeco enjoys a high level of customer loyalty with the majority of customers taking additional services during their initial contract term and then renewing after the end of the initial 3-year term.

Customers can also purchase Condeco's proprietary room and desk screens. The majority of these are sold outright with an annual screen manager licence. Hardware is built by third parties to Condeco's specifications.

Condeco also offers professional services based around implementation and optimisation of its software services.

Condeco software services can be sold and implemented without the need to visit a customer's premises.

Until the end of 2019 a minority of hardware was sold on a rental hardware-as-a-service ('HaaS') basis. The Group also has a small but decreasing number of legacy perpetual licence customers.

Condeco is headquartered in London, UK, with offices in New York, Paris, Frankfurt, Singapore and Sydney enabling responsive service to customers wherever they are located and has a technology centre in Delhi.

Condeco has been steadily building its customer base which at 31 December 2020 stood at over 1,600 and generated over £27m of recurring revenue in the year to 31 December 2020.

Impact from April 2020 to December 2020 of Covid-19

Condeco has seen an increase in demand for its software services since the Covid-19 outbreak began. This demand was primarily for our market leading workspace and desk management solutions which enables control of workspace usage, reduction in workspace density and effective workspace sanitation.

There has been a reduction in demand for hardware screens since Covid-19. These require physical installation at customer premises by customer staff or third-party contractors. We believe this decrease is temporary and that orders for physical signage will increase once employees start returning to offices.

Existing customers have continued to honour their existing contracts which were predominantly room booking solutions. Trade debtor collection rates during the year ended 31 December 2020 have remained at pre-Covid rates.

Condeco also made a number of changes to its operations at the end of the first quarter of 2020 including closing some smaller offices and implementing other cost reduction measures to right-size the business for a "Covid-19

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

influenced" 2020 and 2021. Over 97% of employees continued to work full time throughout the furlough period of April to July 2020. No employees were furloughed after August 2020. There were no reductions in salary and suppliers continued to be paid in accordance with their terms. Offers of support from Governments where available and where Condeco complied with the criteria were accepted.

The effect of increasing recurring revenue and a lower cost base has seen the Group becoming operating profit positive and cash generative from the second quarter of 2020 onwards.

The Board believes that the demand for desk and workspace software services will continue to grow driven by the global adoption of hybrid working. Demand for room booking software services is expected to remain stable through 2021 but there may be some reduction in contracted values of room only contracts if companies decide to downsize their real estate portfolios after 2022. However, the impact is expected to be mitigated by cross sales of workspace and Condeco's introduction of a per user licence model in mid-2020.

After a review of the business in 2020, a reduction in the initial uncertainty over the severity and duration of the economic impact of Covid-19, the roll out of effective vaccines and the modelling of various scenarios to assess the pandemic's potential future impact on the Group the Board has concluded that the going concern basis remains appropriate.

These financial statements have been prepared on a going concern basis.

Business Review

Financial Summary

Revenue was £36.0m for the year to 31 December 2020 compared to £20.8m for the seven month period from 1 June 2019 to 31 December 2020.

Recurring revenue was £27.1m for the year to 31 December 2020 compared to £13.7m for the seven month period to 31 December 2020 as the business continued to sign up new customers and expand products and services to existing customers.

Non-recurring revenue, which comprises professional services revenue from the set-up and installation of the Condeco platform and hardware purchases by customers was £8.9m for the year to 31 December 2020 compared to £7.1m for the seven month period to 31 May 2020.

The average headcount for the year ended 31 December 2020 was 352 compared to the seven month period to 31 December 2019 when it was 391 and to the year ended 31 May 2019 when it was 383.

Average headcount

	Year to 31 May 2019	Seven months to 31 Dec 2019	Year to 31 Dec 2020
Sales	109	83	70
IT Developers	114	113	106
Administration	57	58	50
Support	59	58	58
Services	44	79	68
	383	391	352

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Key Financial Ratios

	Year to 31 May 2019 £'000	Seven months to 31 Dec 2019 £000	Year to 31 Dec 2020 £000
Subscription revenue	19,427	13,723	27,103
As percentage of total revenue	61%	66%	75%
Non-recurring revenue	12,324	7,111	8,901
As percentage of total revenue	39%	34%	25%
Total revenue	31,751	20,833	36,004
Gross profit	19,263	12,175	24,416
As percentage of total revenue	61%	58%	68%
Administrative expenses & Other operating income	26,708	20,253	25,074
Operating loss (before interest & taxes)	(7,446)	(8,078)	(658)
Depreciation and amortisation	3,096	2,163	3,328
Operating (loss) / profit before depreciation and amortisation charge	(4,350)	(5,915)	2,671

Financing

The Company continues to use a mixture of debt and equity to fund the ongoing growth in its business. Condeco entered into a facility with Wells Fargo Bank in December 2018. This facility initially comprised a three year term loan of £12m and a three revolver of £7m, both expiring in December 2021. In October 2020 the availability was extended to June 2022. This facility is secured on the assets of Condeco Group Ltd and of its US and UK subsidiaries. On 21 May 2021 this facility was amended and restated to a revolver of £15m and the availability was extended to 21 May 2024. It remains secured on the assets of Condeco Group Ltd and of its US and UK subsidiaries.

Principal Risks and uncertainties

The directors have considered the risk presented by political and economic changes in the countries in which Condeco operates, particularly in the UK and the USA, our most mature markets. Between 31 December 2020 and the date of signature of these accounts there has been no evidence of a decline in the company's prospects in these countries and we remained of the opinion that on-going political and economic change presents as many opportunities as threats for us. We continued to stay close to our customers and considered ourselves well-positioned to manage the risk of this change with our strong global presence.

In the latter part of Q1 2020, with the potential impact of Covid-19 becoming clearer, Condeco took decisive and

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

fast action including accelerating development of additional functionality in our software services, closure of some offices and reduction in headcount and operating costs. As noted above, an increase in demand for our software services resulting in increasing recurring revenue during the 2020. This, together with a lower cost base, resulted in Condeco becoming operating profit positive and cash generative from the second quarter of 2020 onwards.

The continuous focus and investment in new products and our close relationship to our customers, now well over 1,600 in total, gives us confidence of maintaining a market-leading position.

The Group has been funded to date through a mixture of equity and debt. The net debt, which was £9.4m on 31 December 2019 was reduced to £4.4m by 31 December 2020. Future liquidity risk is expected to be addressed through a combination of free cash flow, proactive treasury activities, equity and third-party working capital facilities.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

The Group adopts the policy of dealing only with customers of appropriate credit history and appropriate action to mitigate credit risk. For other financial assets, the Company adopts the policy of dealing with financial institutions and other counterparties with high credit ratings.

The Group's major classes of financial assets are cash and cash equivalents and trade and other receivables. The Group places its cash and cash equivalents only with creditworthy banks and financial institutions. Trade and other receivables that are neither past due nor impaired are substantially companies with good collection track records with the Company.

Foreign exchange risk

Foreign exchange risk arises from commercial transactions and assets and liabilities that are denominated in a currency that is not the Group's functional currency.

The Group's foreign exchange risk is predominantly controlled by a central treasury department under policies approved by the board of directors. Group treasury actively monitors and evaluates cash balances in foreign currencies, foreign currency funding requirements and movements in exchange rates to mitigate exposure to foreign currency risk.

The Group maintains insurance policies selected to meet the needs and expectations of our stakeholders.

The board periodically reviews developments in the business and in our business environment to ensure that any new risks are identified and mitigated appropriately.

Our stakeholders – Section 172 statement

Listening to our stakeholders

The Board is aware of and understands its duties under Section 172 of the Companies Act 2006 and that engaging with our expanding stakeholder base is key to successfully managing Condeco.

The Board meets regularly to oversee the management of the Group and when conducting its deliberations and making its decisions it has regard to stakeholders.

The Board considers the following to be our key stakeholders and we have summarised how we engage with each.

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Our team

Our team of highly talented and dedicated people across the Group in the UK, Europe, North America and Asia provide us with a truly global outlook and culture, which the business constantly seeks to nurture. Condeco takes pride in providing all the members of our team with the opportunity to develop and grow, reaching their full potential within the business.

We engage with our team through many avenues including regular CEO briefings to all team members, structured review and feedback processes, employee feedback surveys and investment in people programs.

Customers and Partners

Customers utilise our software and services either as direct customers or via partners. Our objective at Condeco is to provide market leading SaaS software that will attract and retain both direct customers and partners with whom we wish to grow long-term relationships for the benefit of all parties. Continual investment into our technology, services and capabilities to enhance these relationships is designed to ensure long-term value is created.

We engage with users of our products and services through a proactive customer success organisation, face-to-face feedback and business reviews, customer and partner surveys and community events such as webinars.

Our Strategic Suppliers

We cannot deliver quality product and services without our strategic supplier relationships. We actively collaborate with our key group of suppliers who are located globally including in the USA, UK, Europe and China. Developing these long-term relationships builds trust and support within a partnership environment. It also allows us to meet our environmental and ethical supplier relationship goals.

We engage with our strategic partners through a combination of formal written contracts - negotiated transparently and openly, face-to-face or video meetings to discuss performance and feedback and an ongoing two-way evaluation processes to facilitate business improvement and address ultimate customer demands.

Shareholders and the wider investment community

We are a private company where the shareholders comprise its founder, one of Europe's premier growth investors and a growing number of employees and ex-employees. We will advocate transparency and best practice seeking to ensure the investor community has the information it requires to make informed judgements about the Group.

We engage with our shareholders and the wider investment community through direct communications, published accounts and other relevant means of communication.

Brexit Considerations

On 31 January 2020 the UK officially left the EU ("Brexit") and from that date entered a transition period whilst the UK and EU negotiate arrangements. The then current rules on trade, regulations and legislation continued to apply during the transition period. The UK and the EU then signed a new agreement that was effective from 1 January 2021.

The Group assessed the effects of the UK's departure from the EU throughout the year ended 31 December 2020 and took steps to minimise any impact to the business, as reflected in the results. Condeco also took steps to minimise the impact of the new agreement on its business in the first half of 2021 by moving some inventory to Europe prior to the end of 2020. The Group's primary goal is to take sensible precautionary measures whilst accepting an appropriate level of risk to minimise the impact on commercial activities. The directors feel confident that the Group is sensibly prepared to adapt to any changes resulting from Brexit although remain vigilant.

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Carbon Reporting

This is the first year that Condeco is required to report in accordance with the Streamlined Energy and Carbon Reporting Regulations ("SECR"). The following information is in respect of the Condeco Group Limited Greenhouse gas emissions and energy use data for the period 1 Jan 2020 to 31 Dec 2020. These emissions relate to Condeco's rented offices in London and Newcastle together with qualifying employee travel.

	Year to 31 December 2020
Energy consumption used to calculate emissions (kWh)	325,440
Energy consumption break down (kWh)	
- Natural Gas	210,772
- Electricity	105,617
- Reimbursed Mileage	9,051
Scope 1 emissions in metric tonnes CO ₂ e	
- Natural Gas	38.75
Scope 2 emissions in metric tonnes CO ₂ e	
- Purchased electricity	24.62
Scope 3 emissions in metric tonnes CO ₂ e	
- Reimbursed Fuel & Electricity T&D	4.24
Total gross emissions in metric tonnes CO ₂ e	67.61
Intensity ratio tCO ₂ e per £m TRR	2.49

Quantification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2020 UK Government's Conversion Factors for Company Reporting.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in tCO₂e/£m Total Recurring Revenue.

Measures taken to improve energy efficiency

Condeco Group Ltd continues to strive for energy and carbon reduction arising from their activities. In 2020 it reduced its emission by closing the Newcastle facility and it will further reduce them in 2021 with disposal of that lease and the introduction of hybrid working.

This report was approved by the board and signed on its behalf by:



P R Statham
Director

Date: 28 May 2021

CONDECO GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report and the financial statements of Condeco Group Limited ('the Company') and its subsidiary companies (together 'the Group') for the year ended 31 December 2020.

Results and dividends

The Group loss after taxation for the year ended 31 December 2020 was £1,488,801. The loss for the seven month period to 31 December 2019, after taxation, amounted to £8,270,507.

During the year ended 31 December 2020 and the seven month period ended 31 December 2019 no dividend was paid. No final dividend was recommended.

Directors

The directors who served during the year period were:

P R Statham
G W Vincent
L R Garrett
P G Goodridge
F G Gloster
J G M Tardy-Joubert

Political and Charitable donations

The company has made no charitable or political donations in the year ended 31 December 2020 (Seven month period to 31 December 2019: £nil).

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. During the year, the policy of providing employees with information, including information relating to the economic and financial factors affecting the performance of the company, has been continued through a web based Human Resources platform in which employees have also been encouraged to present their suggestions and views on the Company's performance. Regular meetings are held between management and employees to allow a free flow of information and ideas.

Future developments

Condeco intends to continue to support its customers wherever they operate across the globe through its

- i) Cloud based SaaS products
- ii) Centralised operational structure and
- iii) Regional sales presence in its focus markets of the UK, USA, Europe, Middle East, Africa, and Asia-Pacific.

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DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Going concern

The consolidated financial statements are prepared on a going concern basis notwithstanding that the Group has operating loss of £1,488,801 (31 December 2019: £8,270,507), net current liabilities of £4,677,289 (31 December 2019: £5,593,207) and net liabilities of £11,959,688 (31 December 2019: £11,136,284) for the year ended 31 December 2020. In doing so, the directors have considered the following:

The Group was funded throughout 2020 and up to 21 May 2021 by a combination of existing cash, cash from operations, a secured bank loan of up to £12m and a secured revolver facility of up to £7m. The secured bank loan was repayable at a minimum rate of £0.6m per annum with any balance due, together with any outstanding amount on the revolver facility, at the end of the loan period. The loan period for both the secured bank loan and revolver facility was extended by Wells Fargo, in October 2020, to June 2022.

The financial stability of the Group was further enhanced on 21 May 2021 when the Group and Wells Fargo agreed to extend the secured bank loan to May 2024 and reconfigure the £12m term loan and £7m revolver to a £15m revolver.

The Directors have prepared detailed cash flow forecasts – which take into account trading up to the point of signing of these financial statements - for the 12 month period ending 31 May 2022. These forecasts indicate that, considering reasonably possible downsides and the on-going anticipated impact of Covid-19 on the operations and financial resources, the Group and Company expect to have sufficient cash reserves to continue in operation and meet its liabilities as they fall due during the forecast period.

When creating the severe but plausible downside scenario, the Directors modelled the impact of 2020 demand levels – which included the highest global infection rates and multiple lockdowns across the globe - continuing, with no economic recovery, through both 2021 and 2022. Such a severe but plausible downside scenario would also require reductions in marketing and other operating costs and increased churn. In performing these various sensitivities, the Directors have considered the headroom on their cash and loan balance and compliance with the latest loan covenants.

The Group forecasts and projections for the 12 months ended 31 May 2022, taking into account reasonably possible changes in trading performance, including the expected on-going impact of Covid-19, and seasonal working capital requirements, show that the Group will be able to continue to operate within its current cash and secured facilities with sufficient headroom and without additional financing or seeking government issued schemes.

Having traded profitably in 2020, having a secured bank facility of £15m until May 2024 and net debt at the date of this report of only £4.2m, the Directors consider that they have sufficient financial capacity and time if economic deterioration or market forces meant it was necessary to restructure the group's financing.

CONDECO GROUP LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

Post Balance Sheet Events

There have been no significant events affecting the Group since the year end.

Auditors

The auditor, KPMG LLP, is expected to be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf by:



P R Statham
Director

Date: 28 May 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of 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 CONDECO GROUP LIMITED

Opinion

We have audited the financial statements of Condeco Group Limited ("the company") for the year ended 31 December 2020 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows, and related notes, including the accounting policies in note 2.

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.

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 management and 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 for management and directors.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group to component audit teams of relevant fraud risks identified at the Group level and request to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group.

As required by auditing standards, and taking into account possible pressures to meet profit targets, 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 management may be in a position to make inappropriate

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

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 the Group-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those journals posted to unrelated accounts in relation to both revenue and cash.
- Assessing significant accounting estimates for bias.

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. This included communication from the Group to component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the Group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at Group.

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 litigations. 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 and certain aspects of company legislation 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.

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.

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

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept 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 10, 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.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Omar Ali (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
28 May 2021

CONDECO GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

		Year to 31 Dec 2020	Seven months to 31 Dec 2019
	Notes	£	£
Turnover	4	36,004,338	20,833,420
Cost of sales		<u>(11,588,602)</u>	<u>(8,658,717)</u>
Gross profit		24,415,736	12,174,703
Administrative expenses		(25,088,577)	(20,318,585)
Other operating income		<u>15,124</u>	<u>65,891</u>
Operating loss before interest and taxes	5	(657,717)	(8,077,991)
Interest receivable and similar income		87	6,359
Interest payable and similar expenses	9	<u>(1,052,320)</u>	<u>(481,574)</u>
Loss before taxation		(1,709,950)	(8,553,206)
Tax credit on loss	10	<u>221,149</u>	<u>282,699</u>
Loss for the period		<u>(1,488,801)</u>	<u>(8,270,507)</u>
Currency translation differences on foreign currency net investments		<u>325,540</u>	<u>137,382</u>
Other comprehensive income for the period		<u>325,540</u>	<u>137,382</u>
Total comprehensive loss for the period		<u>(1,163,261)</u>	<u>(8,133,125)</u>
Total comprehensive loss for the period attributable to:			
Owners of the parent Company		<u>(1,163,261)</u>	<u>(8,133,125)</u>
		<u>(1,163,261)</u>	<u>(8,133,125)</u>

The notes on pages 20 to 48 form part of these financial statements.

CONDECO GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

			31 Dec 2020		31 Dec 2019
	Note	£	£	£	£
Non-current Assets					
Intangible assets	11		1,858,260		3,834,432
Tangible assets	12		1,561,377		2,246,296
Deferred tax asset	13		<u>927,516</u>		<u>898,892</u>
			4,347,153		6,979,620
Current assets					
Stock	15	429,904		545,818	
Debtors: amounts falling due within one year	16	11,965,750		10,329,193	
Cash at bank and in hand	17	<u>7,240,061</u>		<u>3,628,184</u>	
		19,635,715		14,503,195	
Creditors: amounts falling due within one year	18	<u>(24,313,004)</u>		<u>(20,096,402)</u>	
Net current liabilities			(4,677,289)		(5,593,207)
Total assets less current liabilities			(330,136)		1,386,413
Creditors: amounts falling due after more than one year	19		<u>(11,629,552)</u>		<u>(12,522,697)</u>
Net liabilities			(11,959,688)		(11,136,284)
Capital and reserves					
Called up share capital	22		29,059		25,819
Translation reserve	23		(695,048)		(1,020,588)
Other reserves	23		14,843,437		14,506,820
Profit and loss account	23		<u>(26,137,136)</u>		<u>(24,648,335)</u>
Equity attributable to owners of the parent Company			(11,959,688)		(11,136,284)

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



P R Statham
Director

Date: 28 May 2021

The notes on pages 20 to 48 form part of these financial statements

CONDECO GROUP LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	£	31 Dec 2020 £	£	31 Dec 2019 £
Non-current assets					
Intangible assets	11		1,233,425		2,835,514
Tangible assets	12		397,540		535,090
Investments	14		9,135,688		9,136,923
Deferred tax asset	13		819,725		819,725
			<u>11,586,378</u>		<u>13,327,252</u>
Current assets					
Stock	15	228,186		642,518	
Debtors (including £15,087,016 (31 December 2019: £8,164,076) due after more than one year	16	17,112,809		10,549,917	
Cash at bank and in hand	17	2,087,005		1,138,801	
		19,428,000		12,331,236	
Creditors: amounts falling due within one year	18	(26,158,222)		(17,057,414)	
Net current liabilities			<u>(6,730,222)</u>		<u>(4,726,178)</u>
Total assets less current liabilities			4,856,156		8,601,074
Creditors: amounts falling due after one year	19		(11,019,954)		(11,760,720)
Net liabilities			<u>(6,163,798)</u>		<u>(3,159,646)</u>
Capital and reserves					
Called up share capital	22		29,059		25,819
Other reserves	23		14,826,623		14,490,006
Profit and loss account	23		(21,019,480)		(17,675,471)
			<u>(6,163,798)</u>		<u>(3,159,646)</u>

The company's loss after tax for the year ended 31 December 2020 was £3,344,009 (Seven month period ended 31 December 2019: £9,811,659)

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



P R Statham
Director

Date:

The notes on pages 20 to 48 form part of these financial statements

CONDECO GROUP LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £	Translation reserve £	Other reserves £	Profit and loss account £	Total equity £
At 1 January 2020	25,819	(1,020,588)	14,506,820	(24,648,335)	(11,136,284)
Loss for the period	-	-	-	(1,488,801)	(1,488,801)
Translation reserve	-	325,540	-	-	325,540
Shares issued in the year	3,240	-	119,617	-	122,857
Share option charge	-	-	217,000	-	217,000
At 31 December 2020	<u>29,059</u>	<u>(695,048)</u>	<u>14,843,437</u>	<u>(26,137,136)</u>	<u>(11,959,688)</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SEVEN MONTH PERIOD ENDED 31 DECEMBER 2019**

	Called up share capital £	Translation reserve £	Other reserves £	Profit and loss account £	Total equity £
At 1 June 2019	25,819	(1,157,970)	14,372,820	(16,377,828)	(3,137,159)
Loss for the year	-	-	-	(8,270,507)	(8,270,507)
Translation reserve	-	137,382	-	-	137,382
Share option charge	-	-	134,000	-	134,000
At 31 December 2019	<u>25,819</u>	<u>(1,020,588)</u>	<u>14,506,820</u>	<u>(24,648,335)</u>	<u>(11,136,284)</u>

The notes on pages 20 to 48 form part of these financial statements.

CONDECO GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital £	Other reserves £	Profit and loss account £	Total equity £
At 1 January 2020	25,819	14,490,006	(17,675,471)	(3,159,646)
Loss for the period	-	-	(3,344,009)	(3,344,009)
Shares issued during the year	3,240	119,617	-	122,857
Share option charge	-	217,000	-	217,000
At 31 December 2020	<u>29,059</u>	<u>14,826,623</u>	<u>(21,019,480)</u>	<u>(6,163,798)</u>

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE SEVEN MONTH PERIOD ENDED 31 DECEMBER 2019

	Called up share capital £	Other reserves £	Profit and loss account £	Total equity £
At 1 June 2019	25,819	14,356,006	(7,863,812)	6,518,013
Loss for the year	-	-	(9,811,659)	(9,811,659)
Share option charge	-	134,000	-	134,000
At 31 December 2019	<u>25,819</u>	<u>14,490,006</u>	<u>(17,675,471)</u>	<u>(3,159,646)</u>

The notes on pages 20 to 48 form part of these financial statements.

CONDECO GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Year to 31 Dec 2020 £	Seven months to 31 Dec 2019 £
Cash flows from operating activities		
Loss for the financial period	(1,488,801)	(8,270,507)
Adjustments for:		
Amortisation of intangible assets	2,194,941	1,489,764
Depreciation of tangible assets	1,133,349	673,218
Disposal of assets	31,162	-
Equity settled share-based payment expense	217,000	134,000
Interest expense	1,052,320	481,574
Interest income	(87)	(6,359)
Decrease in stocks	115,914	644,597
Decrease/(increase) in debtors	(2,127,651)	2,055,639
Increase/(decrease) in creditors	5,084,051	(449,125)
FX gains and losses	79,659	230,686
Taxation	(114,499)	(237,347)
Net cash arising / (used in) from operating activities	6,177,358	(3,253,860)
Cash flows from investing activities		
Purchase of intangible fixed assets	(61,597)	(60,417)
Purchase of tangible fixed assets	(488,791)	(428,696)
Interest received	87	6,359
Net cash used in investing activities	(550,301)	(482,754)
Cash flows from financing activities		
Net proceeds from issue of shares	122,857	-
New loans	-	1,150,000
Repayment of loans	(1,411,258)	(371,342)
Movement in translation reserves	325,540	137,382
Interest paid	(1,052,320)	(481,574)
Net cash generated from financing activities	(2,015,181)	434,466
Net increase in cash and cash equivalents	3,611,876	(3,302,148)
Cash and cash equivalents at beginning of period	3,628,184	6,930,332
Cash and cash equivalents at the end of period	7,240,061	3,628,184

The notes on pages 20 to 48 form part of these financial statements.

CONDECO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. General information

Condeco Group Limited is a private limited company and is registered in England and Wales. The company registration number is 09274241 and the registered office address is 8th Floor Exchange Tower, 2 Harbour Exchange Square, London, E14 9GE.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements have been prepared in Pound Sterling.

The group financial statements consolidate the financial statements of Condeco Group Limited and all its subsidiary undertakings drawn up to 31 December 2020. The company changed its accounting reference date during in the second half of 2019 to 31 December 2019. As a result, the comparative period is for the seven month period ended 31 December 2019.

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Profit and Loss Account in these financial statements. The parent company's loss for the year ended 31 December 2020 was £3,163,463 (Seven month period ended 31 December 2019: £9,811,659).

Exemptions

The individual accounts of Condeco Group Limited have also adopted the following exemptions available under FRS 102:

- the exemption from preparing a statement of cash flows and related notes;
- reduced disclosures for share-based payments (as equivalent disclosures have been given in the consolidated financial statements presented alongside the parent company's own financial statements).

The following principal policies have been applied:

2.2 Going concern

The consolidated financial statements are prepared on a going concern basis notwithstanding that the Group has operating loss of £1,488,801 (31 December 2019: £8,270,507), net current liabilities of £4,677,289 (31 December 2019: £5,593,207) and net liabilities of £11,959,688 (31 December 2019: £11,136,284) for the year ended 31 December 2020. In doing so, the directors have considered the following:

The Group was funded throughout 2020 and up to 21 May 2021 by a combination of existing cash, cash from operations, a secured bank loan of up to £12m and a secured revolver facility of up to £7m. The secured bank loan was repayable at a minimum rate of £0.6m per annum with any balance due, together with any outstanding amount on the revolver facility, at the end of the loan period. The loan period for both the secured bank loan and revolver facility was extended by Wells Fargo, in October 2020, to June 2022.

CONDECO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.2 Going concern (continued)

The financial stability of the Group was further extended on 21 May 2021 when the Group and Wells Fargo agreed to replace the secured bank loan of up to £12m and a secured revolver facility of up to £7m with a new secured revolver facility of up to £15m and extend the availability to May 2024.

The Directors have prepared detailed cash flow forecasts – which take into account trading up to the point of signing of these financial statements - for the 12 month period ending 31 May 2022. These forecasts indicate that, considering reasonably possible downsides and the on-going anticipated impact of Covid-19 on the operations and financial resources, the Group and Company expect to have sufficient cash reserves to continue in operation and meet its liabilities as they fall due during the forecast period.

When creating the severe but plausible downside scenario, the Directors modelled the impact of 2020 demand levels – which included the highest global infection rates and multiple lockdowns across the globe - continuing, with no economic recovery, through both 2021 and 2022. Such a severe but plausible downside scenario would also require reductions in marketing and other operating costs and increased churn. In performing these various sensitivities, the Directors have considered the headroom on their cash and loan balance and compliance with the latest loan covenants.

The Group forecasts and projections for the 12 months ended 31 May 2022, taking into account reasonably possible changes in trading performance, including the expected on-going impact of Covid-19, and seasonal working capital requirements, show that the Group will be able to continue to operate within its current cash and secured facilities with sufficient headroom and without additional financing or seeking government issued schemes.

Having traded profitably throughout 2020, having a secured bank facility of £15m until May 2024 and net debt at the date of this report of only £4.2m, the Directors consider that they have sufficient financial capacity and time if economic deterioration or market forces meant it was necessary to restructure the group's financing.

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

2.3 Basis of consolidation

The consolidated financial statements present the results of the Group and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

CONDECO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.3 Basis of consolidation (continued)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

The group measures goodwill at the acquisition date as the excess of the cost of the business combination over the acquirer's interest in the net amount of the identifiable assets, liabilities and contingent liabilities recognised. Subsequently goodwill is amortised on a straight-line basis over its useful life of five years.

2.4 Group reorganisation and merger accounting

There were no group reorganisations or merger accounting in the year ended 31 December 2020 or the seven month period ended 31 December 2019.

2.5 Foreign currencies

Income statement

Transactions denominated in a foreign currency are translated into Pounds Sterling at the rate of exchange ruling at the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at that date. All exchange differences are dealt with in the profit and loss account.

Translation reserve

On consolidation, the assets and liabilities of foreign subsidiaries are translated to Pounds Sterling at the rates prevailing at the balance sheet date. Income and expenses are translated at the average exchange rates for the period. Exchange differences are recognised in the translation reserve.

2.6 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue comprises revenue recognised by the Group in respect of goods and services supplied during the year, net of VAT and trade discounts.

Revenue from stock sales is recognised at the point of sale. Revenue from Software as a Service (SaaS) sales, support and maintenance contracts and hosting is recognised on a straight-line basis over the period of the contract.

Revenue from the hire of equipment is recognised on a straight-line basis over the hire period.

Revenue from Professional Services is recognised on a project percentage completion basis, being the proportion of hours of work performed to date on the estimated total hours of work for a project.

CONDECO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.7 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

Software licenses are capitalised at cost and amortised over the term of the software licence.

Intangible assets acquired in a business combination are recognised separately from goodwill when it is probable that the expected future economic benefits that are attributable to the asset will flow to the group and the asset is separable or arises from contractual or other legal rights. Such intangibles are initially recognised at fair value at the date of acquisition and are subsequently amortised over their useful economic lives.

Product development costs are capitalised within intangible assets where they can be identified with a specific product or project anticipated to produce future benefits and are amortised from the date at which the project is completed.

Intangible fixed assets are stated at cost less amortisation. Amortisation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Product development – hardware / software	-	20% / 33% straight line
Computer software	-	20% straight line
Customer contracts	-	20% straight line
Website	-	33% straight line
Acquired software	-	20% straight line
Goodwill	-	20% straight line

Deferred research and development costs are reviewed annually, and where future benefits are deemed to have ceased or to be in doubt, the balance of any related research and development is written off to the profit and loss account.

2.8 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

CONDECO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.8 Tangible fixed assets (continued)

Depreciation is provided on the following basis:

Property improvements	-	20% straight line
Furniture and fittings	-	20% straight line
Computer equipment	-	20% straight line
Hire equipment	-	20% straight line
Hardware equipment	-	20% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.9 Impairment of non-financial assets

At each balance sheet date, tangible assets and intangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

2.10 Investments in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

2.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Assets which are expected to be rented out for less than one year are classified as inventory while assets which are expected to be rented out for more than one year are classified as Tangible fixed assets.

2.12 Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the group becomes a party to the contractual provisions of the instrument.

Basic financial instruments

Trade and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the group will not be able to collect all amounts due.

CONDECO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.12 Financial instruments (continued)

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the group's cash management.

Financial liabilities and equity instruments issued by the group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

Other financial instruments

Derivative financial instruments are classified as other financial instruments. They are measured at fair value on initial recognition and at the end of each reporting period, with changes in fair value recognised in profit or loss.

2.13 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.14 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.15 Operating leases

Rental costs under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term.

Rental income from fixed assets leased out on operating leases is recognised in the profit and loss account on a straight-line basis over the lease term.

2.16 Employee benefits

Short term employee benefits including holiday pay and annual bonuses are accrued as services are rendered. Contributions to defined contribution pension schemes are charged to profit or loss as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and those actually paid are shown as either accruals or prepayments in the balance sheet.

CONDECO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Group becomes aware of the obligation and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.18 Equity settled share-based payments

The cost of share-based employee compensation arrangements, whereby employees receive remuneration in the form of shares or share options, is recognised as an employee benefit expense in profit or loss.

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. At the end of each reporting period the assumptions underlying the number of awards expected to vest are adjusted for the effects of non-market based vesting conditions to reflect the conditions prevailing at that date. The impact of any revisions to the original estimates is recognised in profit or loss, with a corresponding adjustment to equity. Fair value is measured by the use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

When share options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2.19 Current and deferred taxation

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

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

Deferred tax is recognised in respect of all timing differences between taxable profits and total comprehensive income that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit

CONDECO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.19 Current and deferred taxation (continued)

Deferred tax liabilities are recognised for timing differences arising on investments in subsidiaries, except where the group can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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

2.20 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received. Loans provided and/or guaranteed by governments that represent market rates of interest are recorded at the amount of the proceeds received and recognised within Creditors. All existing loans are considered to be at market value. Grants that compensate the Group for expenses incurred are recognised in the income statement in the relevant financial statement line on a systematic basis in the periods in which the expenses are recognised to present the net expense to the Group

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Company's accounting policies.

Judgements

Financial instruments classification

The classification of financial instruments as "basic" or "other" requires judgement as to whether all the applicable conditions for classification as basic are met. This includes consideration of the form of the instrument and its return.

Development costs and Intangible assets

The Group capitalises development costs provided they meet all criteria in the respective accounting policy. Costs are only capitalised when management apply judgement that they are satisfied as to the ultimate commercial viability of the projects based on review of the relevant project. The capitalised costs are amortised over the expected useful economic life, which is determined based on the reasonable commercial prospects of the product and a comparison to similar products being sold by the Group.

Classification of stock and tangible fixed assets

Assets which are expected to be rented out for less than one year are classified as inventory, while assets which are expected to be rented out for more than one year are classified as tangible fixed assets

CONDECO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Judgments in applying accounting policies and key sources of estimation uncertainty (continued)

US Sales Tax

Whilst progress continues to be made in resolving the US sales tax matters disclosed in Note 27, full provision has been made for known liabilities and no potential recoveries from customers have been recognised, uncertainty remains about whether further assets or liabilities may arise. The judgement of management is that an asset, a liability and a P&L charge should be recorded at 31 December 2020 based on management's most reliable estimates at this time.

Key sources of estimation uncertainty

Impairment of intangible assets

Intangible assets comprise capitalised development costs, customer contracts, software and goodwill. An activity is undertaken at the year end to consider if any one piece of development work is: i) no longer economically viable, ii) no longer being actively used within a Condeco product, iii) no longer going to be used in a product in development. A similar exercise is performed on customer contracts and acquired software to ensure these are still economically viable and expected to generate future revenues for Condeco. To date no such impairment is considered to be required.

Impairment of intercompany balances

Intercompany debtors due to the company by other subsidiaries totalled £15,087,016 (31 December 2019: £8,164,076) at the balance sheet date. Factors taken into consideration in reaching such a decision as to whether these balances are impaired include the economic viability and expected future financial performance of the subsidiaries, albeit the amounts due are unlikely to be fully settled within the next twelve months.

Impairment of fixed asset investments

Fixed asset investments are 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 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. Impairment losses are recognised in profit or loss.

Bad debt provisions

The trade debtors balance of £6,762,456 (31 December 2019: £6,359,503) recorded in the group's balance sheet is spread across a large number of customers and geographic regions. A full line by line review of trade debtors is carried out at the end of each month with increased attention as a result of the Covid-19 pandemic. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectible.

Stock obsolescence provision

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Valuation of Share Options

The fair value of share options is measured by using the Black Scholes model. The impact of any revision to the original estimates is recognised in profit or loss, with a corresponding adjustment to equity. The expected life of the options used in the model has been adjusted based on management's best estimate, for the effects of non-transferable by, exercise restrictions and behavioural considerations.

CONDECO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

3. Judgments in applying accounting policies and key sources of estimation uncertainty
(continued)

Deferred tax asset

The deferred tax asset of £919,347 (31 December 2019: £898,892) recorded of in the group financial statements includes accumulated tax losses that are recognised on the basis that the group expects to generate to sufficient taxable profit in the future which those losses will be utilised against.

4. Turnover

Analysis of turnover by service product:

	Year to 31 Dec 2020 £	Seven months to 31 Dec 2019 £
Recurring revenue (Software, HaaS, maintenance and support)	27,103,036	13,722,877
Software licences	13,788	33,873
Hardware	5,654,812	4,857,452
Professional services	<u>3,232,702</u>	<u>2,219,218</u>
	<u>36,004,338</u>	<u>20,833,420</u>

Analysis of turnover by region of destination:

EMEA	23,081,460	12,420,790
Americas	9,576,755	5,636,011
APAC	<u>3,346,123</u>	<u>2,776,619</u>
	<u>36,004,338</u>	<u>20,833,420</u>

5. Operating loss

The operating loss is stated after charging:

	Year to 31 Dec 2020 £	Seven months to 31 Dec 2019 £
US sales tax (see note 27)	-	429,323
Depreciation of tangible fixed assets	1,133,348	673,218
Amortisation of intangible assets	2,194,941	1,489,764
Restructuring expenses	137,821	625,900
Research and development costs	1,647,871	1,212,891
Other operating lease expenses	<u>1,308,837</u>	<u>905,948</u>

CONDECO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

6. Auditors' remuneration

	Year to 31 Dec 2020 £	Seven months to 31 Dec 2019 £
Fees payable to the Company's auditor for the audit of the Company and consolidated annual financial statements	<u>225,000</u>	<u>157,000</u>
Fees payable to the company's auditor and its associates for other services to the Group:		
Taxation compliance services	41,432	77,921
Other services	<u>50,875</u>	<u>115,792</u>
	<u>92,307</u>	<u>193,713</u>

7. Directors' remuneration

	Year to 31 Dec 2020 £	Seven months to 31 Dec 2019 £
Highest paid director:		
Aggregate remuneration and benefits	<u>276,462</u>	<u>212,165</u>

	Year to 31 Dec 2020 £	Seven months to 31 Dec 2019 £
All group executive directors:		
Aggregate remuneration and benefits	<u>588,200</u>	<u>270,498</u>

Pension contributions of £6,288 (Seven months ended 31 December 2019: £3,668) were made in respect of directors during the year ended 31 December 2020.

During the year ended 31 December 2020 and the seven month period ended 31 December 2019 no directors exercised share options in the company.

CONDECO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

8. Employee information

The average monthly number of employees, including the directors, during the year 31 December 2020 and the seven month period ended 31 December 2019 was as follows:

	Group Year to 31 Dec 2020	Group Seven months to 31 Dec 2019	Company Year to 31 Dec 2020	Company Seven months to 31 Dec 2019
Sales	70	83	4	13
IT Developers	106	113	22	33
Administration	50	58	36	37
Support	58	58	-	-
Services	68	79	5	8
Total	352	391	67	91

	Group Year to 31 Dec 2020 £	Group Seven months to 31 Dec 2019 £	Company Year to 31 Dec 2020 £	Company Seven months to 31 Dec 2019 £
Wages and salaries	15,836,445	10,643,755	5,695,188	4,160,045
Social security costs	1,698,216	981,585	621,016	408,580
Other pension costs	455,202	322,619	131,302	103,407
Share based payment expense	217,000	134,000	217,000	134,000
	18,206,863	12,081,959	6,664,505	4,806,032

9. Interest payable and similar charges

	Year to 31 Dec 2020 £	Seven months to 31 Dec 2019 £
Bank interest payable	1,052,320	481,574

CONDECO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

10. Taxation

	Year to 31 Dec 2020 £	Seven months to 31 Dec 2019 £
Corporation tax		
Current tax on profits for the period	(225,322)	(353,136)
Prior year adjustment of current corporation tax	<u>12,343</u>	<u>14,379</u>
Total current tax	<u>(212,979)</u>	<u>(338,757)</u>
Deferred tax		
Origination and reversal of timing differences, incl. accelerated capital allowances	28,683	(1,111)
Effect of tax rate change on opening balance	(88,328)	-
Adjustments in respect of prior periods	<u>51,475</u>	<u>57,169</u>
Total deferred tax	<u>(8,170)</u>	<u>56,058</u>
Total tax credit on loss on ordinary activities	<u>(221,149)</u>	<u>(282,699)</u>
	Year to 31 Dec 2020 £	Seven months to 31 Dec 2019 £
Analysis of tax recognised in profit and loss		
UK Corporation tax	(377,187)	(298,941)
Foreign tax	<u>156,039</u>	<u>16,242</u>
Total current tax recognised in profit and loss	<u>(221,149)</u>	<u>(282,699)</u>

Deferred tax arises mainly on losses and other deductions, accelerated capital allowances and other timing differences. It is expected to reverse against the future expected taxable profits arising and once the fixed assets are sold or through use (see note 13)

CONDECO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

10. Taxation (continued)

Factors affecting tax charge for the year

	Year to 31 Dec 2020 £	Seven months to 31 Dec 2019 £
Loss on ordinary activities before tax	<u>(1,709,950)</u>	<u>(8,553,206)</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (Seven month period ended 31 December 2019 – 19%)	(324,891)	(1,625,109)
Effects of:		
Expenses not deductible for tax purposes	67,355	155,965
Income not taxable for tax purposes	(75,894)	(178,841)
Fixed asset differences	15,421	4,249
Adjustments to tax charge in respect of prior periods	12,404	8,650
Adjustments to tax charge in respect of prior periods – deferred tax	51,415	8,628
Adjustments to brought forward values	-	(31,827)
Enhanced deduction for research and development expenditure	(407,024)	(264,186)
Surrender of tax losses for research and development tax credit refund	118,354	110,701
Transfer pricing adjustments	(983)	258,478
Foreign tax charges US and India	61,602	10,146
Losses carried forward on which no deferred tax has been recognised	482,700	1,132,878
Remeasurement of deferred tax for changes in tax rates	(221,608)	-
Adjustments to opening and closing deferred tax to average rate of 19%	<u>-</u>	<u>127,569</u>
Total tax credit for the period	<u>(221,149)</u>	<u>(282,699)</u>

Factors that may affect future tax charges

Following the substantive enactment of Finance Bill 2021, the corporation tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge. The company has made impact assessment that if this rate change had been substantively enacted at the current balance sheet date and confirmed that the impact is immaterial to the Company's financial position.

CONDECO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

11. Intangible assets

Group	Hardware and software development £	Purchased software £	Customer contracts £	Website	Acquired software £	Goodwill £	Total £
Cost							
At 1 Jan 2020	6,259,251	451,067	1,918,632	91,465	170,284	508,930	9,399,629
Additions	30,708	30,889	-	-	-	-	61,597
Foreign exchange movement	-	(4,773)	146,942	-	(6,152)	24,941	160,958
At 31 Dec 2020	<u>6,289,959</u>	<u>477,183</u>	<u>2,065,574</u>	<u>91,465</u>	<u>164,132</u>	<u>533,871</u>	<u>9,622,184</u>
Accumulated amortisation							
At 1 Jan 2020	3,558,926	257,700	1,302,558	51,051	122,036	272,926	5,565,197
Charge for the year	1,581,385	50,041	383,501	40,414	32,826	106,774	2,194,941
Foreign exchange movement	-	(4,409)	-	-	(4,409)	12,605	3,787
At 31 Dec 2020	<u>5,140,311</u>	<u>303,332</u>	<u>1,686,059</u>	<u>91,465</u>	<u>150,453</u>	<u>392,305</u>	<u>7,763,925</u>
Net book value							
At 31 Dec 2020	<u>1,149,648</u>	<u>173,851</u>	<u>379,515</u>	<u>-</u>	<u>13,679</u>	<u>141,567</u>	<u>1,858,260</u>
At 31 Dec 2019	<u>2,700,325</u>	<u>193,367</u>	<u>616,074</u>	<u>40,414</u>	<u>48,248</u>	<u>236,004</u>	<u>3,834,432</u>

Customer contracts, software and goodwill arose from the acquisition of Condeco MyVRM Inc and Next Solutions GmbH & Co KG in prior years.

CONDECO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

11. Intangible assets (continued)

Company	Hardware and software development £	Purchased Software £	Website	Total £
Cost				
At 1 Jan 2020	6,259,250	251,985	91,465	6,602,700
Additions	30,708	29,600	-	60,308
At 31 Dec 2020	6,289,958	281,585	91,465	6,663,008
Accumulated amortisation				
At 1 Jan 2020	3,558,926	157,210	51,050	3,767,186
Charge for the year	1,581,385	40,597	40,414	1,662,397
At 31 Dec 2020	5,140,311	197,807	91,465	5,429,583
Net book value				
At 31 Dec 2020	1,149,647	83,778	-	1,233,425
At 31 Dec 2019	2,700,324	94,775	40,415	2,835,514

12. Tangible fixed assets

Group	Property improvements £	Furniture and fittings £	Computer equipment £	Hardware equipment £	Hire equipment £	Total £
Cost or valuation						
At 1 Jan 2020	876,346	877,205	1,463,628	539,843	1,848,289	5,605,311
Additions	23,466	37,352	74,512	-	353,461	488,791
Disposals	(8,153)	-	(1,315)	-	(56,161)	(65,629)
Foreign exchange movement	(18,555)	(11,149)	(28,773)	(8,235)	9,653	(57,059)
At 31 Dec 2020	873,104	903,408	1,508,052	531,608	2,155,242	5,971,414
Depreciation						
At 1 Jan 2020	561,984	616,707	1,022,179	195,596	962,549	3,359,015
Charge for period on owned assets	104,166	103,782	212,145	172,671	540,585	1,133,349
Disposal	-	-	-	-	(34,467)	(34,467)
Foreign exchange movement	(13,578)	(8,689)	(23,720)	(2,974)	1,101	(24,467)
At 31 Dec 2020	652,572	711,800	1,210,604	365,293	1,469,768	4,410,037
Net book value						
At 31 Dec 2020	220,532	191,608	297,448	166,315	685,474	1,561,377
At 31 Dec 2019	314,362	260,498	441,449	344,247	885,740	2,246,296

There are no assets acquired subject to finance leases.

CONDECO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

12. Tangible fixed assets (continued)

Company	Property improvements £	Fixtures and fittings £	Hardware equipment £	Computer equipment £	Total £
Cost or valuation					
At 1 Jan 2020	315,159	116,522	12,061	573,370	1,017,112
Additions	-	4,000	-	12,198	16,198
At 31 Dec 2020	<u>315,159</u>	<u>120,522</u>	<u>12,061</u>	<u>585,568</u>	<u>1,033,310</u>
Depreciation					
At 1 Jan 2020	97,056	75,591	4,020	305,355	482,022
Charge for period on owned assets	31,516	23,247	4,020	94,865	153,748
At 31 Dec 2020	<u>128,572</u>	<u>98,938</u>	<u>8,040</u>	<u>400,220</u>	<u>635,770</u>
Net book value					
At 31 December 2020	<u>186,587</u>	<u>21,584</u>	<u>4,021</u>	<u>185,348</u>	<u>397,540</u>
At 31 December 2019	<u>218,103</u>	<u>40,931</u>	<u>8,041</u>	<u>268,015</u>	<u>535,090</u>

There are no assets acquired subject to finance leases.

13. Deferred taxation

	Group 2020 31 Dec £	Group 2019 31 Dec £	Company 2019 31 Dec £	Company 2019 31 Dec £
At beginning of year	898,892	954,950	819,725	819,725
Credited to the profit or loss	28,625	(56,058)	-	-
Asset at end of year	<u>927,516</u>	<u>898,892</u>	<u>819,725</u>	<u>819,725</u>

The deferred taxation balance is made up as follows:

	Group 2020 31 Dec £	Group 2019 31 Dec £	Company 2019 31 Dec £	Company 2019 31 Dec £
Accelerated capital allowances	121,916	(179,780)	134,138	(159,309)
Short term timing differences	7,959	9,069	5,024	6,054
Losses and other deductions	797,641	1,069,603	680,563	972,980
	<u>927,516</u>	<u>898,892</u>	<u>819,725</u>	<u>819,725</u>

CONDECO GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

13. Deferred taxation (continued)

£819,725 (31 December 2019: £819,725) of the total deferred tax asset arises from accumulated losses in Condeco Group Limited. The Company has recognised these losses on the basis that it expects to generate sufficient taxable profit in the future against which these accumulated losses can be offset. The timing of the realisation of the deferred tax asset is estimated to be as follows:

Reversal against future taxable profits for year ending:	£
31 December 2023	<u>819,725</u>

14. Fixed asset investments

Direct subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Condeco Limited	UK	Ordinary	100%	Technology sales and services
Condeco Americas Limited	UK	Ordinary	100%	Intermediate holding company
Condeco Software GmbH	Germany	Ordinary	100%	Technology sales and services
Condeco Software Pte Ltd	Singapore	Ordinary	100%	Technology sales and services
Condeco Software AB	Sweden	Ordinary	100%	Technology sales and services
Condeco Software Pty Ltd	Australia	Ordinary	100%	Technology sales and services
Condeco Software Sarl	France	Ordinary	100%	Technology sales and services
Condeco Software H.K Ltd	Hong Kong	Ordinary	100%	Technology sales and services

Indirect Subsidiary undertakings

The following were indirect subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Direct Holding company	Principal activity
Condeco Software Private Limited	India	Ordinary	100%	Condeco Limited	Software development and support
Condeco Software Inc	US	Ordinary	100%	Condeco Americas Limited	Technology sales and services
Condeco MyVRM Inc	US	Ordinary	100%	Condeco Software Inc	Technology sales and services

CONDECO GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

14. Fixed asset investments (continued)

The registered office of Condeco Limited and Condeco Americas Limited is 8th Floor Exchange Tower, 2 Harbour Exchange Square, London, E14 9GE.

The registered office of Condeco Software GmbH is Neue Mainzer Landstraße 52-58, 60311 Frankfurt am Main, Germany.

The registered office of Condeco Software Pte Ltd is 10 Kallang Avenue #13-13, Aperia, Singapore 339510.

The registered office of Condeco Software AB is PO Box 1024, 101 38 Stockholm, Sweden.

The registered office of Condeco Software Pty Ltd is Level 3, 50 Pitt Street, Sydney, NSW 2000, Australia.

The registered office of Condeco Software Sarl is 13 Rue du Docteur Lancereaux, 75008 Paris, France.

The registered office of Condeco Software JLT is Almas Tower, 49th Floor, JLT, Dubai, United Arab Emirates.

The registered office of Condeco Software H.K Ltd is Room 1205, 12/F, Wing On Kowloon Centre, 345 Nathan Road, Kowloon, Hong Kong.

The registered office of Condeco Software Private Limited is 4th Floor, Building 10, Tower C, DLF Cyber City, Gurgaon 122002, India.

The registered office of Condeco Software Inc is 1350 Broadway, Suite 1712, New York, NY 10018, USA

The aggregate of the share capital and reserves as at 31 December 2020 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit/(loss) £
Condeco Limited	4,956,397	1,106,600
Condeco Americas Limited	1	-
Condeco Software GmbH	590,627	60,628
Condeco Software Pte Ltd	130,607	26,940
Condeco Software AB	30,132	2,353
Condeco Software Pty Ltd	106,865	28,013
Condeco Software Sarl	289,463	36,65
Condeco Software JLT	-	(8,670)
Condeco Software H.K Ltd	16,352	(372)
Condeco Software Private Limited	1,309,735	195,038
Condeco Software Inc	(3,699,931)	396,214
Condeco MyVRM Inc	(571,347)	(250,253)
	<u>1,370,920</u>	<u>1,165,590</u>

CONDECO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

14. Fixed asset investments (continued)

Company	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2020	9,527,698
Loan capital conversion	<u>121,271</u>
At 31 December 2020	<u>9,648,969</u>
Accumulated impairment	
At 1 January 2020	390,775
Impairment loss	<u>122,505</u>
At December 2020	<u>513,280</u>
Net book value	
At 31 December 2020	<u>9,135,688</u>
<i>At 31 December 2019</i>	<u>9,136,923</u>

The ultimate equity holders remain the same, and the rights of each equity holding, relative to the others, are unchanged.

In the seven month period to 31 December 2019 offices in Sweden and Hong Kong closed

At 31 December 2019 investments in Condeco Software AB and Condeco Software HK Limited were assessed as impaired and an impairment loss of £390,775 was been recognised in profit and loss to reduce the carrying value of both investments to nil.

CONDECO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

15. Stock

	Group 31 Dec 2020 £	<i>Group</i> 31 Dec 2019 £	Company 31 Dec 2020 £	<i>Company</i> 31 Dec 2019 £
Finished goods and goods for resale	<u>429,904</u>	<u>545,818</u>	<u>228,186</u>	<u>642,518</u>

At 31 December 2020 the Group has recorded a stock obsolescence provision of £97,544 (31 December 2019: £369,233) charged through the profit and loss.

Finished goods recognised as cost of sales in the period amounted to £2,111,125 (31 December 2019: £1,905,304) and the write down of stocks to net realisable value amounted to £187,433 (31 December 2019: £839,078).

16. Debtors

	Group 31 Dec 2020 £	<i>Group</i> 31 Dec 2019 £	Company 31 Dec 2020 £	<i>Company</i> 31 Dec 2019 £
Trade debtors	6,762,456	6,359,503	-	-
Amounts owed by subsidiary undertakings	-	-	15,087,016	8,164,076
Other debtors	3,467,674	1,590,119	717,976	281,816
Prepayments and accrued income	943,687	1,222,943	573,796	892,501
US sales tax (see note 27)	-	81,552	-	-
Taxation and social security	-	-	-	172,750
Corporation tax debtor	791,933	1,075,076	734,021	1,038,774
	<u>11,965,750</u>	<u>10,329,193</u>	<u>17,112,809</u>	<u>10,549,917</u>

Amounts owed by subsidiary undertakings have no fixed payment terms and therefore are deemed repayable on demand, however the directors do not expect intercompany balances of £15,087,016 (31 December 2019: £8,164,076) to be settled within 12 months of the balance sheet date.

17. Cash and cash equivalents

	Group 31 Dec 2020 £	<i>Group</i> 31 Dec 2019 £	Company 31 Dec 2020 £	<i>Company</i> 31 Dec 2019 £
Cash at bank and in hand	<u>7,240,061</u>	<u>3,628,184</u>	<u>2,087,005</u>	<u>1,138,801</u>

CONDECO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

18. Creditors: Amounts falling due within one year

	Group 31 Dec 2020 £	Group 31 Dec 2019 £	Company 31 Dec 2020 £	Company 31 Dec 2019 £
Bank loans (see note 20)	600,000	1,450,000	600,000	1,450,000
Trade creditors	1,737,427	2,395,005	1,499,340	1,520,735
Amounts due to subsidiary undertakings	-	-	21,274,624	12,256,589
Taxation and social security	653,481	135,634	659,682	-
Other creditors	683,653	616,159	211,286	306,292
Accruals and deferred income	20,638,443	15,499,604	1,913,290	1,523,798
	<u>24,313,004</u>	<u>20,096,402</u>	<u>26,158,222</u>	<u>17,057,414</u>

Amounts owed to subsidiary undertakings have no fixed payment terms and therefore are deemed repayable on demand, however the directors do not expect intercompany balances of £21,274,624 (31 December 2019: £12,256,589) to be settled within 12 months of the balance sheet date.

19. Creditors: Amounts falling due after more than one year

	Group 31 Dec 2020 £	Group 31 Dec 2019 £	Company 31 Dec 2020 £	Company 31 Dec 2019 £
Bank loans (see note 20)	10,858,426	11,419,684	10,858,426	11,419,684
Other taxes	1,076	142,461	-	-
Accruals and deferred income	770,050	960,552	161,528	341,036
	<u>11,629,552</u>	<u>12,522,697</u>	<u>11,019,954</u>	<u>11,760,720</u>

20. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and parent Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	Group 31 Dec 2020 £	Group 31 Dec 2019 £	Company 31 Dec 2019 £	Company 31 Dec 2019 £
Secured bank loans	<u>11,458,426</u>	<u>12,869,684</u>	<u>11,458,426</u>	<u>12,869,684</u>

The Company continues to use a mixture of debt and equity to fund the ongoing growth in its business. Condeco entered into a facility with Wells Fargo Bank in December 2018. This facility initially comprised a three year Term loan of £12m and a three year revolver of £7m, both expiring in December 2021.

CONDECO GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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20. Interest-bearing loans and borrowings (continued)

In October 2020 the availability was extended to June 2022. This facility is secured on the assets of Condeco Group Ltd and of its US and UK subsidiaries. On 21 May 2021 this facility was amended and restated to a revolver of £15m and the availability was extended to 21 May 2024. It remains secured on the assets of Condeco Group Ltd and of its US and UK subsidiaries.

At 31 Dec 2020 the amount drawn on the facility was £11.5m and Condeco held cash at bank and in hand of £7.2m for a net debt position of £4.2m (31 December 2019: £12.9m, £3.6m and £9.2m respectively).

21. Share-based payments

Equity settled share based awards

From 1 October 2015 the Company has operated an equity settled share-based compensation plan established under the Enterprise Management Initiative ("EMI") for certain group employees under which the Group receives services from employees as consideration for equity option instruments (share options) of the Company.

For new employees, options vest on the last day of the fiscal year in which they are granted. For existing employees, additional options vest immediately on grant. Share options are only exercisable on an exit event or at the discretion of the Board.

During the second half of 2020 a number of employees gave up their rights to options and subscribed to the new growth incentive scheme. In accordance with IFRS 2 if a grant of equity instruments is cancelled (including decrease in their number) or settled during the vesting period and new equity instruments are granted to the employee and identified as a replacement of the cancelled share-based payment, then this is accounted for as a modification of the original share-based payment. In accordance with FRS 102, as the modification is not beneficial to the employee or a reduction in the fair value (it is instead a replacement of the existing share option scheme), Condeco shall continue to account for the services under the original award as if the modification had not occurred.

The movement in share options has been:

	Granted	Exercised	Lapsed	Total	Exercisable	Weighted Average Exercise Price £
At 31 May 2017	3,335,283	(487,928)	(903,840)	1,943,515	1,943,515	0.19
Granted	547,500	-	-	547,500		0.50
Lapsed	-	-	(335,960)	(335,960)		0.25
At 31 May 2018	3,882,783	(487,928)	(1,239,800)	2,155,055	2,115,055	0.27
Granted	802,980	-	-	802,980		0.50
Exercised	-	(225,960)	-	(225,960)		0.03
Lapsed	-	-	(443,460)	(443,460)		0.50
At 31 May 2019	3,882,783	(487,928)	(1,239,800)	2,155,055	2,115,055	0.27
Granted	295,000	-	-	295,000		0.50
Lapsed	-	-	(486,440)	(486,440)		0.40
At 31 Dec 2019	4,980,763	(713,888)	(2,169,700)	2,097,175	2,097,175	0.34
Exercised	-	(338,940)	-	-		0.08
Lapsed	-	-	(974,295)	-		0.41
At 31 Dec 2020	4,980,763	(1,052,828)	(3,143,995)	783,940	783,940	0.23

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21. Share based payments (continued)

In August 2020 Condeco Group introduced a new growth incentive scheme for certain employees to subscribe for 'Ordinary B shares as consideration for services to the group. A total of 2,901,285 B Ordinary Shares at nominal value of £0.001 each were subscribed in 2020 for a total cash consideration of £95,742.

Cost of share-based awards

Share options

The options were valued using the Black Scholes pricing model with the following inputs for the period 1 June 2019 to 31 Dec 2020

Expected price volatility	30%
Risk free interest rate	1.5%
Expected life of award	3 years
Date of grant	Per agreement with employee
Vesting conditions	Per agreement with employee
Number granted	Per agreement with employee
Exercise price	Per agreement with employee
Fair value at date of award	Between £0.50 and £0.75

As the fair value of stock option grants to be recognised in the financial statements is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. Forfeitures are estimated at the time of the grant and revised through the profit and loss account, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

In the year to 31 December 2020 amounts totalling £70,849 (Seven months to 31 December 2019: £48,187) were charged to the profit and loss account of Condeco Group Limited in respect to options in its equity granted to employees of group subsidiaries.

The total value at 31 December 2020 of the options granted has been calculated at £810,000 (Dec 2019: £810,000). Of this amount, £135,000 (Dec 2019: £134,000) has been charged to the profit and loss account for the year ended 31 Dec 2020. The total charged to date is £768,000 (Dec 2019: £633,000) and the remaining £42,000 (Dec 2019: £177,000) will be charged to the profit and loss account over the vesting period.

B Ordinary shares

The shares were valued using the Black Scholes pricing model with the following inputs for the period:

FMV at grant	£0.44
Strike price	£0.55
Volatility	30%
Risk free interest rate	0.3%

The total value at 31 December 2020 of the shares issued has been calculated at £206,000 (Dec 2019: £Nil). Of this amount, £82,000 (Dec 2019: £Nil) has been charged to the profit and loss account for the year ended 31 Dec 2020 will be charged to the profit and loss account over the following 3 years.

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22. Share capital

Shares classified as equity

	Ordinary shares of £0.001 each	B ordinary shares of £0.001 each	A Preferred shares of £0.001 each	A1 Preferred shares of £0.001 each	Total
In thousands of shares					
On issue at 31 Jan 2020	16,538	-	8,145	1,136	25,819
Issued for cash	339	2,901	-	-	3,240
On issue at 31 Dec 2020	<u>16,877</u>	<u>2,901</u>	<u>8,145</u>	<u>1,136</u>	<u>29,059</u>
				31 Dec 2020	31 Dec 2019
				£	£
Allotted, called up and fully paid					
16,877,071 ordinary shares of £0.001 each				16,877	16,538
8,144,796 A preferred shares of £0.001 each				8,145	8,145
1,136,326 A1 preferred shares of £0.001 each				1,136	1,136
2,901,285 B ordinary shares of £0.001 each				<u>2,901</u>	<u>-</u>
				<u>29,059</u>	<u>25,819</u>

Ordinary shares rank behind A Preferred shares, which are entitled to a premium of \$3.683333 per share, and A1 Preferred shares, which are entitled to a premium of £3.52 per share, on liquidation or return of capital. Thereafter the ordinary shares, A Preferred shares and A1 Preferred shares shall rank pari passu in all other aspects.

During the second half of 2020 Condeco shareholders approved the creation of a new class of B Ordinary Shares with a nominal value of £0.001 and a value at issue of £0.033. A total of 2,901,285 B Ordinary Shares were issued in 2020 for a total consideration of £95,742.

23. Reserves

Other reserves (Share premium, share option and capital redemption reserves)

The share premium account is used to record the aggregate amount or value of premiums paid when the company's shares are issued at an amount in excess of nominal value.

Share option reserve relates to the fair value of the options granted which has been charged to profit or loss over the vesting period of the options and related taxation recognised in equity.

Share premium, share option and capital redemption reserves are presented under the heading Other reserves.

At 31 December 2020, Share premium reserve amounts to £13,992,171 (2019: £13,872,554); share option reserve amounts to £850,766 (31 December 2019: £633,766) and the capital redemption reserve to £500 (31 December 2019: £500).

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23. Reserves (continued)

Translation reserve

The reserve relates to the translation of foreign subsidiaries accounts for inclusion in the consolidated accounts. This reserve can be transferred to profit or loss only after the disposal of the foreign investments.

Retained earnings

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

24. Dividends

The directors have not recommended the payment of a final dividend (31 December 2019: £nil). Amounts totalling £nil (31 December 2019: £nil) have been accrued as a creditor in the financial statements for dividends declared but not paid at the year end.

25. Financial instruments

At 31 December 2020 the Group and the Company has the following financial instruments:

	Group 31 Dec 2020 £	Group 31 Dec 2019 £	Company 31 Dec 2020 £	Company 31 Dec 2019 £
Financial assets at amortised cost				
Trade debtors	6,762,456	6,359,503	-	-
Financial liabilities at amortised cost				
Trade creditors	<u>(1,986,968)</u>	<u>(2,395,005)</u>	<u>(1,748,881)</u>	<u>(1,520,735)</u>
	<u>4,775,488</u>	<u>3,964,498</u>	<u>(1,748,881)</u>	<u>(1,520,735)</u>

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

Group	Borrowings due within one year £	Borrowings due after one year £	Subtotal £	Cash and cash equivalents £	Net debt £
Net debt analysis					
Balance at 1 Jan 2020	(1,450,000)	(11,419,684)	(12,869,684)	3,628,184	(9,241,500)
Cash flows	1,411,258	-	1,411,258	3,611,880	5,023,138
Other movements	(561,258)	561,258	-	-	-
Balance at 31 December 2020	<u>(600,000)</u>	<u>(10,858,426)</u>	<u>(11,458,426)</u>	<u>7,240,064</u>	<u>(4,218,362)</u>

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26. Operating lease commitments

At 31 December 2020 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 31 Dec 2020 £	Group 31 Dec 2019 £	Company 31 Dec 2020 £	Company 31 Dec 2019 £
Not later than 1 year	1,376,654	1,419,341	176,346	235,086
Later than 1 year and not later than 5 years	1,950,771	2,958,142	7,582	246,928
Later than 5 years	301,733	671,863	-	-
	<u>3,629,158</u>	<u>5,049,346</u>	<u>346,928</u>	<u>482,014</u>

27. Contingencies

A subsidiary of the Company, Condeco Software Inc, has been conducting business in the United States since 2013. Economic nexus legislation generally requires an out of state entity to collect and remit sales tax once the entity meets a threshold level of sales transactions or gross receipts activity. In consumer tax states the tax is imposed on the buyer with responsibility for collection by the seller but the buyer is required to remit the tax even if it is not collected from the buyer. In seller privilege tax states the seller is primarily liable for the tax. The company became aware in early 2019 that the subsidiary may not have registered in a prompt and timely manner and therefore not collected and remitted any or all taxes due.

Work began in the calendar year ended 31 December 2019, with the assistance of professional advisors, to determine in which states nexus exists and from what date and hence the quantum of any uncollected and unpaid sales taxes.

In the period ending 31 December 2019 the company, with assistance of professional advisors, identified 18 jurisdictions where the company should be registered for tax and where taxes went uncollected from customers and unpaid. The company subsequently entered negotiations with the states and entered into 15 Voluntary Disclosure Agreements ('VDA') and 3 Non-VDA negotiated agreements to disclose and settle unpaid taxes. The assessed amount uncollected from customers, disclosed and paid in settlement to the respective jurisdictions totalled £769,009.

The majority of the customers of the US subsidiary are major global companies (i.e. Fortune 500 or publicly traded). The company has no reason to believe that they will not pay Sales tax due when requested. At 31 December 2019 an asset of £81,552 in relation to amounts recoverable from customers was recognised and irrecoverable sales tax of £429,323 has been charged in profit and loss in the period.

During the year ended 31 December 2020 work continued to conclude negotiations with the relevant states to ensure that all amounts payable were agreed. £Nil has been charged to the P&L in 2020 and there are no related assets or liabilities on the balance sheet as at 31 Dec 2020. There were no additional liabilities identified during that work in 2020. However, the Group expects that complete resolution will take a number of years.

CONDECO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

28. Related party transactions

During the year ended 31 December 2020, the Group paid £nil (Seven months ended 31 December 2019: £nil) in dividends to directors.

The Company has taken advantage of FRS 102 section 33.1A and has not disclosed transactions with wholly owned Group companies.

No advances were extended to directors during the period (2019: £nil).

Guy Vincent charged £26,250 in the year (31 December 2019: £17,500), Fergus Gloster £34,998 (31 December 2019: £23,332) and Paul Goodridge £26,250 (31 December 2019: £17,500) being fees for Non-Executive Directorships.

During the year the company made purchases totalling £11,128 from Starleaf Ltd (seven months to 31 December 2019: £nil) and sales to Highland Europe (UK) Management Ltd totalling £2,499 (seven months to December 2019: £nil). Starleaf Ltd and Highland Europe (UK) Management Ltd are related parties by virtue of Laurence Garrett being a director of both companies.

	Year to 31 Dec 2020 £	<i>Seven months to 31 Dec 2019 £</i>
Transactions with key management personnel of the Company and its group: Aggregate remuneration and benefits	<u>588,200</u>	<u>411,574</u>

29. Pension Commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund. During the period the Group paid contributions of £322,619 (Year ended 31 December 2019: £483,642) which are recognised as an expense within the statement of comprehensive income.

At the balance sheet date, there is an amount of £138,225 (31 December 2019: £133,080) included within other creditors with respect to both employee and employer contributions payable to this scheme.

30. Government Grants and Assistance

During the year to 31 December 2020, Condeco Group Limited and Condeco Limited utilised the Coronavirus Job Retention Scheme ("JRS") implemented by the United Kingdom government, where those employees designated as being 'furloughed workers' are eligible to have 80 per cent of their wage costs paid up to a maximum amount of £2,500 per month. In the same period other companies within the group utilised similar schemes provided by governments in Singapore and Sweden. The total amount of such relief received by the Group amounted to £168,875 (2019: nil) – including £118,433 in respect of the JRS – and is offset within employee costs in the Income Statement. There are no unfulfilled conditions or contingencies relating to these schemes.

The group also took advantage of an HMRC offer to defer certain VAT payments. These totalled £0.5m in 2020 and will be settled in 2021.

CONDECO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

30. Government Grants and Assistance (continued)

Pursuant to payroll support programs under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") Condeco Software Inc, a subsidiary of the Company received funds in [June] 2020 to protect its employees' jobs by offsetting payroll expenses. In light of this payroll support program, Condeco Software Inc. did not implement any pay cuts or furloughs between receipt and 31 December 2020. The grants are not required to be repaid if Condeco Software Inc. complies with provisions of the CARES Act and the payroll support program agreements. The grants are recognised over the periods in which Condeco Software Inc. recognises the related expenses for which the grants are intended to compensate. The loan is reflected in [Other Liabilities] and the related forgiveness in [Other receivables]. Condeco Software Inc. recognised the grants as contra-expense during the period from receipt to 31 December 2020 when it was impacted by the pandemic. During the year ended December 31, 2020, Condeco Software Inc. recognised all £539,691 of the grants.

Condeco Software Inc. believes it has complied fully with the terms of the grants and that they will be forgiven when the forgiveness process is implemented in 2021. Whilst the possibility is considered remote, if Condeco Software Inc. does not comply with the provisions of the CARES Act, and the payroll support program agreements, it may be required to repay the government funds and also may be subject to other remedies.

31. Post balance sheet events

There have been no significant events affecting the Group since the year end.