

Proactis Holdings Limited

Strategic Report, Directors' Report
and Financial Statements
Registered number 05752247
Year Ended 31 July 2021



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Company Information

Directors

T Sykes
R Hughes

Registered office

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Wetherby
LS22 6LE

Auditor

BDO LLP
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29 Wellington Street
Leeds
LS1 4DL

Solicitor

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33 Wellington Street
Leeds
LS1 4DL

Principal banker

HSBC Bank plc
13 Parliament Street
York
YO1 8XS

Strategic Report

Overview

The Group's long-term strategy is to build an international business focused on delivering best value to its customers through the digital transformation of their procurement systems and processes with the application of the Group's software technology and provision of its expert services. The Group's strategy can be illustrated as follows:

- Maximise customer and technology opportunity
- Accelerate new business spend management momentum
- Roll out bePayd
- Drive adoption of existing supplier paid products
- Extend supplier paid product portfolio

This strategy is designed to deliver a strong financial proposition of profitable, cash generative organic growth with a high level of visibility illustrated by its annual recurring revenue ("ARR") across both buyer and supplier paid products.

The Group aims to drive organic growth into its business spend management solutions by retaining existing and winning new customers through continually improving its best in class procurement solutions with high service levels and excellent user support as well as a focused approach to the up-selling of the Group's extensive range of solutions, creating even broader and deeper customer relationships.

In addition, the Group has a substantial opportunity to provide complementary products which leverage the business spend management solutions with transactional services, tender services and the Group's accelerated payment facility, bePayd.

The Group was previously quoted on AIM and de-listed on 28 July 2021 as a consequence of an acquisition by joint offerors Pollen Street Capital and DBAY Advisors. Both parties support management's plan.

On 30 November 2021 new bank facilities were signed with HSBC. These new facilities consist of £35m debt facility including a £20m term loan and a £15m revolving credit facility, with a ratcheted coupon rate of at least 2.50% over SONIA and no higher than 6.50% over SONIA.

At 31 July 2021 gross bank debt was £41.9m and as a result of the acquisition, a debt repayment of £6.8m was made to HSBC using funds provided by the new owners. The Group's forecasts and projections show that the Group should be able to operate within the level of its new facilities and banking covenants.

Strategic performance

Progress against the Group's strategy has been encouraging with performance in line with Board expectations for the year despite the continued impact of COVID-19 during the period.

Total contract Value ("TCV") of new business signed was strong increasing to £15.8m (2020: £14.6m), being a second record year in a row. This reflects the Group's investment in its marketing, sales and account management capabilities and its go-to-market strategy.

The Group's reported revenues decreased to £47.6m (2020: £49.6m). This reduction in revenue is primarily due to the net customer losses in the prior year (net £3.1m churn in the year ended 31 July 2020), which, as a consequence of the SaaS based subscription model that the business operates, flows through to the current year income statement.

The reduced level of travel and expense and deferred investment in further marketing and sales capacity enabled the Group to increase its margins and report Group Adjusted EBITDA (See additional information at the end of this document – page 73) of £12.8m (2020: £11.8m), demonstrating the robustness of the Group's business model and the agility of its decision-making. Further, the Group Adjusted Free Cash Flow was £1.9m (2020: £0.9m). The Board considers this financial performance to be in line with expectations and positions the Group well to continue to capitalise on the opportunities available to it.

Reported EBITDA was £8.2m (2020: £9.0m) and Loss Before Tax was £8.6m (2020: £19.3m, which included a goodwill impairment charge of £14.8m).

Strategic Report *(continued)*

The Board considers that the primary value of the Group is driven by the value and momentum of its Annual Recurring Revenue ("ARR") and the Group's strategy is designed to achieve strong organic growth in that metric. This metric is a function of the following key performance indicators, which are reviewed in detail below:

- The rate and value of new deal intake and up-sell activity; and
- The value of customer churn.

The Group reported total ARR of £38.8m at 31 July 2021 (2020: £41.2m), which included £0.5m (2020: £1.4m) of Heightened Risk Accounts ("HRAs" – see below).

Total Contact Value

The Group secured an aggregate TCV of £15.8m (2020: £14.6m), being an 8.2% increase from the previous financial year, and another record year for the Group.

TCV was delivered from 67 new name customers (2020: 61) of which 63 (2020: 43) were subscription deals and aggregate TCV was £8.3m (2020: £9.0m). The number of up-sell deals sold to existing customers remained at the strong levels experienced in the prior year, at 174 (2020: 127) with TCV increasing to £7.5m (2020: £5.6m).

Customer Churn

Total churn in the reported year including HRAs was £4.5m (2020: £4.4m). As reported previously, the Group had experienced heavy customer churn over the 2020 and 2019 financial years in specific customers with non-authorized product deployment and, as at 31 July 2019, the Group defined these as Heightened Risk Accounts ("HRA").

Solutions and markets performance review

Business Spend Management (Buyer) solutions

The Group provides business spend management solutions to customers that enable those customers to reduce the cost of goods or services purchased through enhanced sourcing activities, access efficiencies through the automation of manual processes using technology and also to provide an enhanced level of corporate governance and compliance through work flows designed into the technology.

Buyer revenues for the year were £39.3m (2020: £41.1m). The decrease in the year was anticipated following the net customer churn in the previous financial year.

Supplier solutions

The Group provides access to technology that enables suppliers to transact digitally with their customers. This technology, being driven by a buyer decision to make a supplier pay, is often referred to as networking technology and the technology can allow multiple documents in any format to be passed between suppliers and their customers and it can also allow greater collaboration between suppliers and their customers through the provision of other trading information. In addition, the Group uses its technology to deliver tailored new business opportunities to suppliers through its search and selection of a vast number of new business opportunities, tenders, from a number of international sources.

Revenues for the year were £8.3m (2020: £8.5m). The Tenders Direct business in the UK showed a slight increase from the previous year with revenue of £4.2m (2020: £4.1m). Revenue from the Global Transactions business segment was £4.1m (2020: £4.4m). The Board is aware of the variability in volume related areas of the Group's business and will continue to monitor performance closely.

Financial solutions

The Group brought its new early settlement solution, bePayd, to market shortly before the emergence of COVID-19. The solution allows suppliers to accelerate the payment of a customer approved invoice in return for a small discount and is primarily aimed at the long tail of small suppliers in the supply chain, a population that is underserved. At launch, the solution is market leading in its simplicity, speed and convenience without any detriment to security or risk. The

Strategic Report *(continued)*

solution is entirely flexible down to single invoice level with extremely low values because of the end to end automation of the process. Funding of the early settlement can be provided by either the customer or Proactis (through a dedicated facility with HSBC) or a blended model.

Early adopters have been identified and the Group looks forward to implementation and working with these customers to roll out the solution with a view to testing and optimising take-up within their supply chains.

Markets

The Group offers true multi-company, multi-currency and multi-language capabilities and this remains an essential differentiator as the Group increases its presence across more sectors worldwide. The Group continues to sell its solutions to customers operating across several continents and many different sectors.

The Group competes on various levels; local vendors, Enterprise Resource Planning ("ERP") vendors and international procurement vendors and this mix makes for an extremely competitive environment. The "end-to-end" message and tight integration techniques mitigate this and positions the Group as a value led solution against both big ticket, consultancy led ERP vendors, international procurement vendors' solutions and potential multi-vendor software led solutions. This value proposition is particularly compelling for mid-sized commercial and public sector organisations, both of which the Group is focused on across all of its business segments.

The Group's go-to-market strategy is based on a targeted and efficient deployment of its marketing and sales resource within each market segment it operates in. Within those segments, the Group seeks to maximise its return by selecting verticals where its solutions fit well and are referenceable and, with thorough research and with experiential grounding, can attain a leading position as the default provider. This strategy is at varying levels of maturity within the Group's business segments and the Board looks forward to the potential accelerated growth rates that could result.

Key risks

Although the directors seek to minimise the impact of risk factors, the Group and Company are subject to a number of risks which are as follows:

Risk	Potential impact	Mitigation
COVID-19	<p>The Group is exposed to the COVID-19 global pandemic and the associated impacts on the macro-economic environment through the following:</p> <ul style="list-style-type: none"> • Delays in pipeline conversion • Project implementation deferrals • Lower transactions in volume-based contracts • Customer solvency 	<p>The Board and ELT monitor this area regularly through its normal commercial and finance monitoring controls.</p> <p>Appropriate actions are taken on a case by case basis with customers impacted by the global pandemic.</p>
Loss of key personnel	<p>Loss of key management could have adverse consequences for the Group.</p> <p>While the Group has entered into service agreements / employment contracts with each of its key management, the retention of their services or those of other key personnel cannot be guaranteed.</p>	<p>Retention risk is considered and discussed at length at Board and ELT meetings. Appropriate actions are agreed if a particular risk is raised.</p>

Strategic Report *(continued)*

<p>Competition</p>	<p>Competitors may be able to develop products and services that are more attractive to customers than the Group's products and services.</p> <p>In order to be successful in the future, the Group will need to continue to finance research and development activities and continue to respond promptly and effectively to the challenges of technological change in the software industry and competitors' innovations.</p> <p>An inability to devote sufficient resources to product development activities in order to achieve this may lead to a material adverse effect on the Group's business.</p>	<p>The Group continues to invest substantially in the development of its technology and other solutions to enable it to meet the challenge of fast changing market demand and ever-increasing levels of technological advancement.</p> <p>The Group has an extensive product portfolio arising from the Group's acquisition history. The Board recognises this and has projects underway to better leverage those products that deliver in line with the Group's strategic plan.</p>
<p>Acquisitions</p>	<p>The Group has historically been acquisitive and has stated that it will consider acquiring suitable companies which fit certain criteria.</p> <p>The Group recognises that there is a risk of operational disturbance in course of integrating acquired companies into the Group's existing operations.</p> <p>Acquisitions may also be made where the desired synergy benefits may fail to materialise, may take longer than anticipated or may be lower than have been or where the targets results or cash flows may not match the Group's expectations.</p>	<p>The Group mitigates this risk by way of due diligence, a detailed planning process and continued monitoring of the progression of integration of acquisition into the wider group.</p>
<p>Internal operations</p>	<p>The Group is subject to the risks and challenges in managing an organisation operating in various countries.</p> <p>If the Board and ELT are unable to manage the international aspects of the Group's business and ensure that global processes are sufficiently well developed and robust, its operating results and overall business will be significantly and adversely affected.</p>	<p>Monthly meetings are held with regional management teams to discuss progress against the Group's strategy.</p> <p>Matters arising from these meetings are discussed at Board and ELT meetings and appropriate actions agreed, if required.</p>

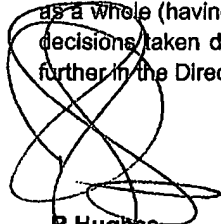
Strategic Report *(continued)*

<p>Privacy or data protection failures</p>	<p>The Group's operations are subject to a number of laws relating to privacy and data protection. Such laws and regulations govern the Group's ability to collect and use personal information.</p> <p>The Group relies on third party contractors and its own employees to collect personal data and to maintain its databases and therefore the Group is exposed to the risk that such data could be wrongfully appropriated, lost or disclosed, damaged or processed in breach of data protection requirements.</p> <p>If the Group is found not to comply with the data protection laws and regulations, this may result in investigative or enforcement action (including criminal proceedings and significant pecuniary penalties) by the Information Commissioner's Office in the UK or similar regulatory authorities in other jurisdictions in which the Group operates. This in turn could damage its reputation, lead to negative publicity and result in the loss of the goodwill of its existing customers and deter new customers, all of which would have a material adverse effect on the Group's business, results of operations and financial condition.</p>	<p>All critical suppliers to the business are first evaluated by the Group's Compliance Team.</p> <p>Depending on the nature and scope of the services various processes will then be enacted commensurate with their perceived risk to the business.</p> <p>Each of these suppliers will need to undergo a full Data Protection Impact Assessment and only on successful conclusion of that exercise, can the service then be utilised.</p> <p>Proactis is GDPR Compliant and all employees are required to undertake annualised Security and GDPR re-training.</p> <p>All employees are also required to annually, review all corporate policies and sign confirmation and acceptance.</p> <p>On 21 May 2021, Proactis announced prompt action had been taken following a cyber security incident where the Company had detected unauthorised access to a limited number of its internal systems. Following the incident the Company received a forensic report from the external cyber security experts appointed to conduct an investigation. The conclusion of the report is that limited customer data in one division of the Group's business was extracted, with all relevant customers having been notified where appropriate such that the Company now considers the matter concluded.</p>
<p>Government policy</p>	<p>There may be changes in future government policy in relation to eProcurement which may have a material adverse effect on the Group's business, such as Brexit, eGov, gCloud and legislation conflicts between the various jurisdictions that the Group will operate in following Completion.</p>	<p>The Board and ELT monitor this area regularly.</p>

Strategic Report *(continued)*

Section 172 (1) statement

The Board of Directors of Proactis Holdings Limited consider both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote success of the company for the benefit of its members as a whole (having regard to the stakeholders and matter set out in s172(1)(a)-(f) of the Companies Act 2006) in the decisions taken during the year ended 31 July 2021. Specific matters with regards to s172(1)(a)-(f) are discussed further in the Directors' Report on page 10.



R Hughes
Director & Company Secretary

Riverview Court, Castle Gate
Wetherby LS22 6LE

10 December 2021

Directors' Report

The directors present their directors' report and the audited financial statements for the year ended 31 July 2021.

Principal activities

The principal activity of the Group is the development and sale of business software and associated services.

Business review

The turnover in the year of £47.6m (2020: £49.6m) was in line with the prior year. Operating loss decreased to £7.0m (2020: Operating loss of £18.4m).

During the year the US Government Loan (\$992,000) which had been applied for under the US Paycheck Protection Program ("PPP") was formerly forgiven and released to the income statement.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend (2020: £Nil). Retained loss of £8.1m (2020: Retained loss of £19.0m) has been transferred to reserves.

Directors

The directors who held office during the year and up to the date of this report are listed below:

T Sykes
R Hughes
C Gottesman (appointed 22 November 2021)
S McDonough (resigned 30 September 2020)
A Aubrey (resigned 1 September 2021)
R Potts (resigned 1 September 2021)
N Brown (appointed 2 December 2020; resigned 1 September 2021)
S Tomkins (resigned 5 October 2020)

Directors' duties

The directors of the Company, as those of all UK companies, must act in accordance with a set of general rules. These duties are detailed in section 172 of the Companies Act 2006 which is summarised as follows:

'A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its stakeholders as a whole and, in doing so have regard (amongst other matters) to:

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

As part of their induction, a director is briefed on their duties and they can access professional advice on these, either from the Company Secretary or, if they judge it necessary, from an independent advisor. It is important to recognise that in our Group the directors fulfil their duties partly through a governance framework that delegates day-to-day decision making to employees of the Group.

The following paragraphs summarise how the directors fulfil their duties:

Risk Management

As we grow, our business and our risk environment also become more complex. It is therefore vital that we effectively identify, evaluate, manage and mitigate the risks we face, and that we continue to evolve our approach to risk management.

Directors' Report *(continued)*

Our people

The Group is committed to being a responsible business. Our behaviour is aligned with the expectation of our people, clients, investors, communities and society as a whole. People are at the heart of our business and for our business to succeed we need to manage our people's performance and develop and bring through talent while ensuring we operate as efficiently as possible.

Business relationships

Our strategy prioritises our relationships with existing customers as well as bringing new customers into the Group. In order to be successful in our strategy we need to develop and maintain strong customer and supplier relationships.

Community and environment

We want to leverage our expertise and enable our people to support communities around us.

Shareholders

The Board is committed to openly engaging with our shareholders, as we recognise the importance of effective dialogue, whether with major institutional investors or private shareholders.

Research and development

The Group capitalised £8.4m during the year (2020: £8.5m) on development of software products and on software for own use.

Political and charitable donations

The Company made no political donations during the year (2020: £Nil). The Company made charitable donations during the year of £3,257 (2020: £4,748).

Employee involvement

It is the Group's policy to involve employees in its progress, development and performance. Applications for employment by disabled persons are fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. The Group is a committed equal opportunities employer and has engaged employees with broad backgrounds and skills. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who is fortunate enough not to suffer from a disability. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues.

Financial instruments

An indication of the financial risk management objectives and policies and the exposure of the group to price risk, credit risk, liquidity risk and cash flow risk is provided in Note 23 to the financial statements.

Qualifying third party indemnity

The Group has provided an indemnity for the benefit of its current directors which is a qualifying third-party indemnity provision for the purpose of the Companies Act 2006.

Supplier payment policy and practice

The Group does not operate a standard code in respect of payments to suppliers. The Group agrees terms of payment with suppliers at the start of business and then makes payments in accordance with contractual and other legal obligations.

Greenhouse gas emissions

The Group is currently exempt from the streamlined energy and carbon reporting (SECR) disclosures relating to greenhouse gas emissions as each of the subsidiary entities would not meet the reporting criteria and therefore can be excluded from the Group calculation. In line with the Group's **Our planet** value, the Group is considering how disclosures in respect of greenhouse gas emissions, energy consumption and energy efficiency action can be developed for future annual reports.

Directors' Report *(continued)*

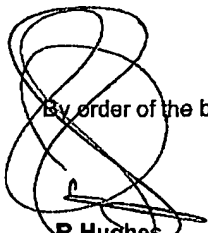
Disclosure of information to auditor

All of the directors as at the date of this report have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the company's auditor is unaware.

Auditor

The Proactis Group undertook an external tender process for audit services during the current financial year and as a result BDO LLP were appointed as the auditors for the current financial year.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and BDO LLP will therefore continue in office.


By order of the board
R Hughes
Director

Riverview Court
Castle Gate
Wetherby LS22 6LE

10 December 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 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 the directors have elected to prepare the group and company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Proactis Holdings Limited

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 July 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Proactis Holdings Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 July 2021 which comprise the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated and company cash flow statements and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, UK accounting standards as applied in accordance with the provisions 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent Auditor's Report to the Members of Proactis Holdings Limited *(continued)*

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the statement of directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the 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 the Directors 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 for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report to the Members of Proactis Holdings Limited (continued)

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. We considered the Group's compliance with laws and regulations that have a direct impact on the financial statements including, but not limited to, company law and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements.


Based on our understanding we designed our audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and agreeing to underlying supporting documentation where necessary. We made enquiries of management and of the Directors as to the risks of non-compliance and any instances thereof. We also addressed the risk of management override of internal controls, including testing journal entries processed during and subsequent to the year and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Mark Langford (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Leeds, UK
10 December 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Income Statement for the year ended 31 July 2021

	Notes	2021 £000	2020 £000
Revenue	2	47,632	49,571
Cost of sales		(4,942)	(5,339)
Staff costs	3	(24,873)	(24,118)
Other operating expenses		(11,741)	(11,361)
Depreciation of property, plant and equipment	9	(1,784)	(1,642)
Amortisation of intangible assets	10	(11,339)	(10,664)
Impairment of goodwill and intangible assets	10	-	(14,813)
		-----	-----
Operating loss	5	(7,047)	(18,366)
Finance income	6	32	-
Finance expenses	7	(1,554)	(974)
		-----	-----
Loss before taxation		(8,569)	(19,340)
Income tax credit/(charge)	8	508	(20)
		-----	-----
Loss for the year		(8,061)	(19,360)
		-----	-----
Loss attributable to:			
Owners of the Company		(8,116)	(19,017)
Non-controlling interests	28	55	(343)
		-----	-----
		(8,061)	(19,360)
		-----	-----

The following notes form an integral part of these financial statements.

Consolidated Statement of other Comprehensive Income for the year ended 31 July 2021

Notes	2021 £000	2020 £000
Loss for the period	(8,061)	(19,360)
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Foreign operations – foreign currency translation differences	140	332
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension schemes	22	-
Other comprehensive gain net of tax	162	332
Other comprehensive income/(loss) attributable to:		
Owners of the Company	181	121
Non-controlling interests	(19)	211
	162	332
Total comprehensive income/(loss) attributable to:		
Owners of the Company	(7,935)	(18,896)
Non-controlling interests	36	(132)
	(7,899)	(19,028)

The following notes form an integral part of these financial statements

Consolidated Balance Sheet as at 31 July 2021

	Notes	2021 £000	2020 £000 Restated*
Non-current assets			
Property, plant & equipment	9	5,117	5,439
Intangible assets	10	115,588	118,754
Deferred tax asset	15	708	746
		<u>121,413</u>	<u>124,939</u>
Current assets			
Trade and other receivables	11	12,544	10,137
Cash and cash equivalents	12	3,007	4,424
		<u>15,551</u>	<u>14,561</u>
Assets held for sale	20	6,247	10,273
		<u>143,211</u>	<u>149,773</u>
Total assets			
Current liabilities			
Trade and other payables	13	14,031	9,136
Lease liabilities	18	1,162	1,008
Contract liabilities	14	15,418	15,140
Income taxes		-	90
Loans and borrowings	18	47,896	1,356
		<u>78,507</u>	<u>26,730</u>
Liabilities directly associated with the assets held for sale	20	6,449	10,429
		<u>84,956</u>	<u>37,159</u>
Non-current liabilities			
Contract liabilities	14	188	184
Deferred tax liabilities	15	7,846	8,810
Loans and borrowings	18	-	48,153
Lease liabilities	18	3,053	3,164
Employee benefit liabilities	22	569	-
Provisions	21	-	492
		<u>11,656</u>	<u>60,803</u>
Total liabilities		<u>96,612</u>	<u>97,962</u>
Net assets		<u>46,599</u>	<u>51,811</u>

*See note 11.

Consolidated Balance Sheet as at 31 July 2021 *(continued)*

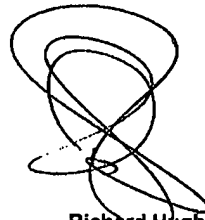
Equity			
Called up share capital	16	9,982	9,553
Share premium account	17	106	-
Merger reserve	17	556	556
Capital reserve	17	449	449
Foreign exchange reserve	17	(1,106)	(1,285)
Retained earnings		35,108	41,050
		<hr/>	<hr/>
Equity attributable to equity holders of the Company		45,095	50,343
Non-controlling interest	28	1,504	1,468
		<hr/>	<hr/>
Total equity		46,599	51,811

The following notes form an integral part of these financial statements.

The financial statements on pages 17 to 62 were approved by the Board of Directors on 10 December 2021 and signed on its behalf by:



Tim Sykes – Chief Executive Officer



Richard Hughes – Chief Financial Officer

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Merger reserve	Capital reserve	Foreign exchange reserve	Equity component of convertible notes	Retained earnings	Total	Non-controlling interest	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 31 July 2019	9,522	83,513	556	449	(1,386)	89	(23,839)	68,904	1,600	70,504
Result for the period	-	-	-	-	-	-	(19,017)	(19,017)	(343)	(19,360)
Other comprehensive income	-	-	-	-	121	-	-	121	211	332
Total comprehensive income for the period	-	-	-	-	121	-	(19,017)	(18,896)	(132)	(19,028)
Issue of ordinary shares related to business combinations	31	146	-	-	-	-	-	177	-	177
Share premium reduction	-	(83,659)	-	-	-	-	83,659	-	-	-
Release of equity component of convertible notes	-	-	-	-	-	(89)	-	(89)	-	(89)
Share based payment charges	-	-	-	-	-	-	247	247	-	247
At 31 July 2020	9,553	-	556	449	(1,265)	-	41,050	50,343	1,468	51,811
Result for the period	-	-	-	-	-	-	(8,116)	(8,116)	55	(8,061)
Other comprehensive income	-	-	-	-	159	-	22	181	(19)	162
Total comprehensive income for the period	-	-	-	-	159	-	(8,094)	(7,935)	36	(7,899)
Share options exercised	429	106	-	-	-	-	-	535	-	535
Share based payment charges	-	-	-	-	-	-	2,152	2,152	-	2,152
At 31 July 2021	9,982	106	556	449	(1,106)	-	35,108	45,095	1,504	46,599

Details of the nature of each component of equity are given in Note 17.

The following notes form an integral part of these financial statements.

Consolidated Cash Flow Statement for the year ended 31 July 2021

	Notes	2021 £000	2020 £000
Operating activities			
Loss for the year		(8,061)	(19,360)
Amortisation of intangible assets	10	11,339	10,664
Impairment of goodwill and intangible assets	10	-	14,813
Depreciation	9	1,784	1,642
Net finance expense	6&7	1,522	974
Income tax (credit)/charge	8	(508)	20
Share based payment charges	4	2,152	247
		-----	-----
Operating cash flow before changes in working capital		8,228	9,000
Movement in trade and other receivables		2,115	396
Movement in trade and other payables and contract liabilities		(1,727)	44
Movement in acquisition related trade and other payables		1,586	-
		-----	-----
Operating cash flow from operations		10,202	9,440
Finance expense		(1,469)	(1,409)
Income tax paid		(629)	(77)
		-----	-----
Net cash flow from operating activities		8,104	7,954
		-----	-----
Investing activities			
Purchase of property, plant and equipment	9&10	(386)	(530)
Development expenditure capitalised	10	(8,424)	(8,525)
		-----	-----
Net cash flow from investing activities		(8,810)	(9,055)
		-----	-----
Financing activities			
Receipts from loans and borrowings	18	1,007	1,586
Repayment of borrowings	18	(1,474)	(2,557)
Payment of lease liabilities	18	(1,251)	(976)
		-----	-----
Net cash flow from financing activities		(1,718)	(1,947)
		-----	-----
Effect of exchange rate movements on cash and cash equivalents		255	859
Net decrease in cash and cash equivalents		(2,424)	(3,048)
Cash and cash equivalents at the beginning of the year		5,543	7,732
		-----	-----
Cash and cash equivalents at the end of the year		3,374	5,543
		-----	-----
Cash and cash equivalents at end of year – from continuing operations	12	3,007	4,424
Cash and cash equivalents at end of year – assets held for sale	20	367	1,119

Notes to the Consolidated Financial Statements

1 Accounting policies

Significant accounting policies

Proactis Holdings Limited (the "Company") is a company incorporated and domiciled in the United Kingdom, with subsidiary undertakings in the United States, France, Germany, Netherlands, Ireland, Belgium, New Zealand, Mauritius, and Australia. The address of its registered office is Riverview Court, Castle Gate, Wetherby, LS22 6LE.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The Company financial statements present information about the Company as a separate entity and not about its Group.

The Group is principally engaged in the development and sale of business software and associated services.

The following paragraphs summarise the significant accounting policies of the Group, which have been applied consistently in dealing with items which are considered material in relation to the Group's consolidated financial statements.

Basis of preparation

The Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), IFRIC interpretations and the Companies Act 2006 as applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The Company has elected to prepare its Company financial statements in accordance with FRS 101 Reduced Disclosure Framework ("FRS 101").

The financial statements are presented in pounds sterling, which is the functional currency of the parent Company and the presentational currency of the Group, and in round thousands.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have a significant effect on the Group financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 26.

Going concern

The financial statements have been approved on the assumption that the Group remains a going concern. The following paragraphs summarise the issues and basis on which the directors have reached their conclusion.

The Group's business activities, together with the factors likely to affect its future development, performance and positions are set out in the Strategic Report on page 4. Notwithstanding net current liabilities at 31 July 2021 of £62.3m (31 July 2020: net current liabilities of £12.2m), the directors have prepared the financial statements on a going concern basis. Net current liabilities at 31 July 2021 include £15.4m (2020 (restated): £15.1m) of contract liabilities, which does not represent expected cash outflows. Excluding this, the Group has net current liabilities of £47.5m (2020 (restated): assets £2.9m).

The bank facilities with HSBC consist of £50m debt facility including a £15m term loan, with a coupon rate of 1.95% over LIBOR, and a £35m revolving credit facility, with a ratcheted coupon rate of at least 1.75% over LIBOR and no higher than 3.5% over LIBOR.

Notes to the Consolidated Financial Statements *(continued)*

1 Accounting policies *(continued)*

Net bank debt at 31 July 2021 was £38.5m (2020: £37.1m), comprising cash balances of £3.4m and gross bank debt of £41.9m. The financial covenants of this facility include forecast liquidity, net leverage and interest cover. The Group has prepared a sensitised cash flow model up to and including the period ending 31 July 2024, which shows increasing cash flows into the future as the business grows. The Group's forecasts and projections are completed on a prudent basis and consider the effect of reasonably possible changes in trading performance. These show that the Group should be able to operate within the level of its current facilities and banking covenants.

On 30 November 2021 new bank facilities were signed with HSBC. These new facilities consist of £35m debt facility including a £20m term loan and a £15m revolving credit facility, with a ratcheted coupon rate of at least 2.50% over SONIA and no higher than 6.50% over SONIA. At 31 July 2021 gross bank debt was £41.9m and as a result of the acquisition, a debt repayment of £6.8m was made to HSBC using funds provided by the new owners. The Group's forecasts and projections show that the Group should be able to operate within the level of its new facilities and banking covenants.

The directors have prepared Group forecasts covering the period to 31 July 2025, taking into account the possible impact of COVID-19 on trading performance and have assessed the ability of the Group to meet its liabilities as they fall due in the 12 month period from the date of the approval of these financial statements. These forecasts reflect the directors' plausible assumptions about the duration and extent of the impact of COVID-19 on trading performance, including a number of assumptions in relation to recurring revenue, new business wins and discretionary spend category cost savings. In this scenario, the Group is expected to maintain sufficient liquidity and remain in compliance with covenants throughout the forecast period.

Whilst the Group's cash flow forecasts have been prepared using current trading assumptions, the operating environment presents a number of challenges which could negatively impact the actual performance achieved. These risks include, but are not limited to, achieving forecast recurring revenue and new business wins and also the directors' ability to implement cost saving initiatives in areas of discretionary spend where required. If future trading performance significantly underperforms the Group's forecasts, this could impact the ability of the Group to comply with its covenant tests over the period of the forecasts.

Due to the uncertainty over the duration and extent of the impact of COVID-19, the directors have modelled a severe but plausible downside scenario when preparing the forecasts. The scenario considered includes a reduction and delay in new business wins. Assumptions have been made around the scale and duration of any COVID-19 related disruption. Mitigating actions within the control of management, including reductions in areas of discretionary spend, have been modelled. It is difficult to predict the overall outcome and impact of COVID-19 and the duration of disruption could be longer than anticipated. Under the severe but plausible downside scenario modelled and after allowing for the effect of mitigating actions within the control of management, the forecasts demonstrate that the Group is expected to maintain sufficient liquidity and remain in compliance with covenants throughout the forecast period.

It is difficult to predict the overall outcome and impact of COVID-19, but under the above scenario analysis, the Group has sufficient liquidity and resources throughout the period under review whilst still maintaining adequate headroom against overall facilities.

The directors therefore remain confident that the Group has adequate resources to continue to meet its liabilities as and when they fall due within the period of at least 12 months from the date of approval of these financial statements. Accordingly, the Company's financial statements have been prepared on a going concern basis.

Notes to the Consolidated Financial Statements *(continued)*

1 Accounting policies *(continued)*

New standards, amendments to standards or interpretations

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

Standards in effect in 2021

- Amendments to References to the Conceptual Framework in IFRS Standards (effective date 1 January 2020);
- Amendments to IFRS 3 Business Combinations: Definition of a Business (effective date 1 January 2020);
- Amendments to IAS 1 and IAS 8: Definition of Material (effective date 1 January 2020);
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (effective date 1 January 2020); and
- Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions (effective date 1 June 2020).

These have been adopted in the period. The adoption of these standards and amendments did not have a material impact on these financial statements.

IFRS in issue but not applied in the current financial statements

The following IFRS and IFRIC Interpretations have been issued but have not been applied by the Group in preparing these financial statements as they are not as yet effective. The Group intends to adopt these Standards and Interpretations when they become effective, rather than adopt them early.

- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective date 1 January 2021);
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective date 1 January 2021); and
- Amendments to IFRS 16 - Covid-19-Related Rent Concessions beyond 30 June 2021 (effective date 1 April 2021);

A number of IFRS and IFRIC interpretations are also currently in issue which are not relevant for the Group's activities and which have not therefore been adopted in preparing these financial statements.

The Group continues to monitor the potential impact of other new standards and interpretations which may require adoption by the Group in future reporting periods.

The following principal accounting policies have been applied consistently to all periods presented in these Group financial statements.

Basis of consolidation

Subsidiaries are entities controlled by the Company. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and its ability to affect those returns through its power to direct the activities of the entity.

The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intra-Group balances and transactions, including unrealised profits arising from intra-Group transactions, are eliminated fully on consolidation.

Notes to the Consolidated Financial Statements *(continued)*

1 Accounting policies *(continued)*

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are recognised in the statement of comprehensive income.

The assets and liabilities of foreign operations are translated to the Group's presentational currency (sterling), at foreign exchange rates ruling at the balance sheet date. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the foreign exchange reserve.

Property, plant and equipment

Property, plant and equipment are held at cost less accumulated depreciation and impairment charges. Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of property, plant and equipment over their estimated useful lives as follows:

Computer equipment	– 10 to 50%
Office fixtures and fittings	– 10 to 25%

Intangible assets – goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Acquired intangible assets – business combinations

Intangible assets that are acquired as a result of a business combination but that can be separately measured at fair value on a reliable basis are separately recognised on acquisition at their fair value. Amortisation is charged on a straight-line basis to the consolidated statement of comprehensive income over their expected useful economic lives. For the Group's intangible assets this has been assessed to be between three and 25 years (2020: between three and 25 years) depending on the individual asset.

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment at least annually or when events or a change in circumstances indicate that the carrying amount may not be recoverable.

Notes to the Consolidated Financial Statements *(continued)*

1 Accounting policies *(continued)*

Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, the Group can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally generated intangible assets are amortised over their useful economic life, over a period not exceeding five years (2020: five years). Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Development costs capitalised and included as an asset within the financial statements have not been treated as a realised loss for the purpose of determining distributable reserves.

Impairment

The carrying amount of the Group's non-financial assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in the consolidated statement of comprehensive income.

An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value in use. The value in use is based on the net present value of future cash flow projections discounted at pre-tax rates appropriate for each CGU. For the purposes of assessing impairments, assets are grouped at the lowest levels for which there are identifiable cash flows.

Goodwill is initially allocated between the Group's CGUs by reference to the expected benefits from synergies of the combination. There are currently eight CGUs: United Kingdom, United States, France, Germany, The Netherlands, Global Transactions, Proactis Tenders and bePayd.

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs (group of units) and then, to reduce the carrying amount of the other assets of the unit (group of units) on a pro-rata basis.

Notes to the Consolidated Financial Statements *(continued)*

1 Accounting policies *(continued)*

Trade and other receivables

Trade receivables are recognised initially at fair value. Trade receivables that are past due are considered individually for impairment. The Group has applied the IFRS 9 simplified approach to measuring expected credit losses. An expected credit methodology based on two-year historic data has been used as an indicator for impairment. The Group has considered the impacts over the period up to the date of signing the financial statements of COVID-19 on the trade receivables and as a result has no reason to revise this methodology. The Group has no reason to expect that the two-year historic data would not provide a fair indicator of the future impairment.

Trade receivables that are not yet due for payment and relate to services to be provided in the future are netted off with the associated contract liability as is required under IFRS 15.

Trade receivables that are not yet due for payment and relate to services that have already been provided are classified as contract assets as is required under IFRS 15.

Financial assets

The Group classifies its financial assets as loans and receivables measured at amortised cost and cash and cash equivalents.

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (trade debtors). They are carried at amortised cost.

Cash and cash equivalents

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

Financial liabilities

Financial liabilities are comprised of trade payables and other short-term monetary liabilities, which are recognised at amortised cost.

Contingent consideration

Any contingent consideration payable balances arising are recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. The Group has convertible loan notes that have been issued and depending on the terms of the agreement these are either measured as a single instrument at fair value or as a hybrid instrument with the derivative element measured at fair value and the host liability measured at amortised cost.

Notes to the Consolidated Financial Statements *(continued)*

1 Accounting policies *(continued)*

Revenue recognition

IFRS 15 Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The standard requires revenue earned to be recognised in line with performance obligations based on a five-step model. The Group identifies its performance obligations with respect to the different services being provided. The following summarises the performance obligations that the Group has identified for significant revenue lines and provides information regarding the performance obligation and the revenue recognition policy.

Customers are split between Buyer and Supplier customers across the Group's product and service portfolio. The definition for each type of revenue recognition across SaaS and Service revenues is also identified by customer type after each definition.

SaaS revenue:

- Revenue from hosted software subscription fees, software maintenance, software support and hosting services are recognised on a straight-line basis as their separate performance obligations are met over the period of supply. The period of supply being from the date of go-live, as defined in the contract, over the term of the contract. *(Buyer and Supplier customers)*;
- Revenue from non-hosted software fees usually consists of two performance obligations being the issue of a licence to a customer which enables them to utilise the software and the ongoing maintenance and support for the customer. The provision of the licence is recognised at a point in time as performance obligations are met at the point of the supply given that the performance obligation is deemed to have been discharged with no ongoing obligations following the activation of the licence. In this instance, the transaction price is allocated according to the observable standalone selling price of the relative components. The software maintenance is a separate performance obligation that is met, as noted above, over the period of supply. It should be noted that only the UK has product that is sold as non-hosted and that the significant proportion of software sales within the Group are hosted. *(Buyer customers)*; and
- Revenue from managed services is recognised as performance obligations are met over the period of supply. The period of supply being from either the contract date or the point of go live (as defined in the contract), over the term of the contract. The managed services may either be met on a straight-line basis over the period of supply or on a utilisation basis (as defined in the contract) depending on whether the contract states an unlimited or limited number of events are to be delivered by the Group. Managed services include provision of tender information services, scanning services and auction services. *(Buyer customers)*

Services revenue:

- Revenue from consultancy services is recognised systematically over the period of time that delivery to a customer has occurred in line with the work completed. Consultancy services include services such as installation and implementation (technical configuration) services, training and ad hoc technical and consultancy services. The provision of implementation services does not create an asset with an alternative use for the Group and the Group has an enforceable right to payment for the performance of the work completed to date. *(Buyer and Supplier customers)*

Customers pay a fee annually (generally) for a defined contractual term, normally three or five years. In the case where a single contract involves the combination of any or all of the revenue types described above, the amount of consideration is derived from an assessment of the fair value of each of the individual constituent elements of the goods and services provided. The revenue allocated to each element is recognised as outlined above. The Group is able to reliably measure the fair value of each element of these contracts using a combination of factors including the contract price agreed with the client, through consideration of the relative value of each element of the contract and through the contract price charged for those elements in similar circumstances with other clients.

Revenue invoiced but not recognised in the income statement under this policy is classified as contract liabilities in the balance sheet. Revenue billed in arrears is accrued only if it is highly probable that it will not significantly reverse and is classified as trade and other receivables in the balance sheet.

Notes to the Consolidated Financial Statements *(continued)*

1 Accounting policies *(continued)*

The Group utilises business partners to access certain markets as distributors. Where a business partner sells the Group's products or services and Proactis retains the control and responsibility for the product, the sale is treated as revenue by the Group and the commission payable to the business partner is capitalised and expensed over the life of the contract as a cost of sale. Proactis approves the pricing structures between the business partners and the end customer.

As is required under IFRS 15, trade receivables that are not yet due for payment and relate to services to be provided in the future are netted off with the associated contract liability. Trade receivables that are not yet due for payment and relate to services that have already been provided are classified as contract assets.

Leases

Prior to transition to IFRS 16 – Leases, rental charges on operating leases were charged to the consolidated income statement on a straight-line basis over the life of the lease. Finance leases were recognised at the inception of the lease at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between the finance charges and the reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Such finance charges were included in the consolidated income statement within net financing expense.

Following the transition to IFRS 16, the Group considers whether a contract is, or contains, a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognises a right-of-use ("ROU") asset and a lease liability on the balance sheet. The ROU asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the ROU assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The Group also assesses the ROU asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or alternatively, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed), amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Maintenance payments which vary are not included within the measurement of the initial lease liability; these are instead recognised in the consolidated income statement in line with their usage.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments.

Notes to the Consolidated Financial Statements *(continued)*

1 Accounting policies *(continued)*

When the lease liability is remeasured, the corresponding adjustment is reflected in the ROU asset, or profit and loss if the ROU asset is already reduced to zero.

As permitted, the Group has elected not to apply the requirements of IFRS 16 for either short-term leases or leases of low-value assets. Instead of recognising a ROU asset and lease liability, the payments in relation to these are recognised as an expense in consolidated income statement on a straight-line basis over the lease term.

ROU assets have been included in property, plant and equipment and lease liabilities have been included within their own category in the consolidated balance sheet.

Post-retirement benefits

Defined contribution plans

The Group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in an independently administered fund.

A Group entity pays an agreed contribution to a separate entity, relieving it of any liability for future payments. These obligations are expensed in the consolidated income statement when due.

Defined benefit plans

All plans which do not meet the definition of a defined contribution plan are classified as a defined benefit plan. The net obligations of each Group entity are calculated for each plan based on an estimate of the amount employees will receive in exchange for services rendered during the current and past periods. The amount of the obligation is discounted to present value.

Employee obligations of the Group are calculated using the projected unit credit method. This method is based on the probability of personnel remaining with companies in the Group until retirement, the foreseeable changes in future compensation, and the appropriate discount rate. Specific discount rates are adopted for each monetary area. They are determined based on the yield offered by bonds issued by leading companies (rated AA) or treasury bonds where the market is not liquid, with maturities equivalent to the average term of the plans valued in the relevant region. This results in the recognition of pension-related assets or provisions in the consolidated balance sheet and the recognition of the related net expenses.

Pursuant to IAS 19, Employee Benefits, actuarial gains and losses are recognized in other comprehensive income.

Share-based payments

The fair value of awards to employees that take the form of shares or rights to shares is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which an asset can be utilised.

Notes to the Consolidated Financial Statements *(continued)*

1 Accounting policies *(continued)*

Provisions

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Non-controlling interests ("NCIs")

NCIs are measured initially at their proportionate share of the acquirer's identifiable net assets at the date of acquisition.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Cost of sales

Cost of sales includes direct external costs incurred in the course of delivering revenue for the Group. It includes third party reseller commission costs, hosting fees, external consultancy costs and licence fees.

Notes to the Consolidated Financial Statements *(continued)*

2 Operating segments

Basis for segmentation

The Group determines and presents operating segments based on the information that internally is provided to the Board of Directors, which is considered to be the Group's Chief Operating Decision Maker ("CODM").

IFRS 8 requires consideration of the CODM within the Group. In line with Group's internal reporting framework and management structure, the key strategic and operating decisions are made by the Board of Directors, which reviews internal monthly management reports, budget and forecast information as part of this. Accordingly, the Board of Directors is deemed to be the CODM.

Operating segments have been identified based on the internal reporting information and management structures within the Group and take into consideration the relative size of the operation. The Board has determined there are two (2020: two) reportable segments being the Business Spend Management ("Buyer") and the Supplier business, based on how the Group goes to market. As the Group continues to develop and expand, the number of reportable segments will be kept under review.

Each reportable segment derives its revenues from the sale of business software and associated services.

Information about reportable segments

Information related to each reportable segment is set out below. Segment revenue is analysed below, split as Software as a Service ("SaaS") revenue and professional services revenue.

Segment contribution is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries. Contribution is defined as revenue less direct costs.

	Buyer £000	Supplier £000	Total £000
2021			
SaaS revenue	34,784	7,727	42,511
Services revenue	4,542	579	5,121
	-----	-----	-----
Segment revenue	39,326	8,306	47,632
	-----	-----	-----
Direct costs	(19,319)	(2,335)	(21,654)
	-----	-----	-----
Segment contribution	20,007	5,971	25,978
	-----	-----	-----
2020			
SaaS revenue	36,725	8,089	44,814
Services revenue	4,317	440	4,757
	-----	-----	-----
Segment revenue	41,042	8,529	49,571
	-----	-----	-----
Direct costs	(20,492)	(2,850)	(23,342)
	-----	-----	-----
Segment contribution	20,550	5,679	26,229
	-----	-----	-----

Notes to the Consolidated Financial Statements *(continued)*

2 Operating segments *(continued)*

Reconciliations of information on reportable segments to IFRS measures

	2021 £000	2020 £000
Total contribution reportable segments	25,978	26,229
Central costs (including non-core net expenditure)	(17,750)	(17,229)
Depreciation	(1,784)	(1,642)
Amortisation	(11,339)	(10,664)
Impairment of goodwill	-	(14,813)
Share based payment charges	(2,152)	(247)
Net interest cost	(1,522)	(974)
	-----	-----
Consolidated loss before tax	(8,569)	(19,340)
	-----	-----

Geographic information

The geographic information analyses the Group's revenue and non-current assets by the Company's country of domicile and other countries. In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of the assets.

	2021 £000	2020 £000
Revenue		
UK	21,340	21,041
US	7,457	10,135
Netherlands	6,930	6,206
France	6,625	5,842
Germany	5,280	6,347
	-----	-----
	47,632	49,571
	-----	-----

There are no customers who represent more than 10% of revenue for the current or prior year.

	2021 £000	2020 £000
Non-current assets		
UK	106,925	110,941
US	6,719	8,191
Mainland Europe	6,925	4,640
Rest of World	136	421
	-----	-----
	120,705	124,193
	-----	-----

Non-current assets exclude financial instruments and deferred tax assets.

Notes to the Consolidated Financial Statements *(continued)*

3 Employees and directors' remuneration

	2021	2020
	£000	£000
Staff costs :		
- Wages and salaries	26,187	26,146
- Social security costs	3,087	3,318
- Other pension costs	1,160	1,089
	30,434	30,553
Share based payments (Note 4)	2,152	247
Release of US government loan (Note 18)	(716)	-
Amounts capitalised within development costs and software for own use (Note 10)*	(6,997)	(6,682)
	24,873	24,118
Average number of employees (including directors) during the year		
- Sales and production	477	467
- Administrative	51	49
	528	516

*Note that capitalised development costs (see Note 10) include staff costs and other external costs incurred. The figure above of £6,997,000 represents only the internal staff costs within the total capitalised amount.

Directors' remuneration

	2021	2020
	£000	£000
- Wages and salaries	1,309	730
- Company contributions to defined contribution pension schemes	74	63
- Other short term benefits	40	40
- Amounts paid to third parties in respect of directors' services	40	40
- Compensation for loss of office	30	-
	1,493	873

Share options relating to the directors were exercised in the year at the time of the acquisition of Proactis Holdings Limited. The total gains on these exercised share options were £1,259,000 (2020: £Nil). The net shares proceeds were paid on the following payroll date which occurred on 31 August. The settlement of the exercise price took the form of a deduction from the share sale proceeds. As a result, as at the 31 July the balance due to the company from the directors to settle the exercise price was £316,000 (2020: £Nil). These debts were settled in full on 31 August 2021. During the year, 3 directors exercised share options (2020: Nil).

There were 3 directors in the group's defined contribution pension scheme (2020: 3). This includes Sean McDonough, who left as a director during the year.

At year end there was £550,000 (2020: £Nil) outstanding bonus payments due to the Directors. The outstanding amounts were settled in August and October 2021.

Emoluments of the highest paid director were £563,000 (2020: £263,000). Company pension contributions of £25,000 (2020: £25,000) were made to a pension scheme on his behalf.

Notes to the Consolidated Financial Statements *(continued)*

4 Share-based payments

At 31 July 2021, the Group had the following share-based payment arrangements.

Share Option programmes (equity settled)

The Group operated one Inland Revenue approved EMI scheme incentive plan and five unapproved share option plans (ESO, ESO 2017, Executive Bonus Plan 2017, LTIP 2017 and LTIP 2020). The vesting of all awards is based on the achievement of certain market and non-market performance conditions.

There were no options remaining unexercised at 31 July 2021.

Reconciliation of outstanding share options

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

	Weighted average exercise price 2021 (p)	Number of options 2021 (number)	Weighted average exercise price 2020 (p)	Number of options 2020 (number)
Outstanding at start of year	80.9	4,977,035	76.9	5,277,035
Granted during the year	10.0	11,906,404	-	-
Exercised during the year	12.5	(12,305,719)	-	-
Lapsed during the year	65.3	(2,706,075)	10.0	(300,000)
Surrendered during the year	110.7	(1,871,645)	-	-
	-----	-----	-----	-----
Outstanding at end of the year	-	-	80.9	4,977,035
	-----	-----	-----	-----
Exercisable at end of the year	-	-	82.5	3,858,090
	-----	-----	-----	-----

During the current and prior period, the Group has not granted equity as consideration for goods or services received. The Group has granted share options under the share option schemes to selected employees and directors.

Fair value assumptions of share-based payments

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of fair value is measured using the Black-Scholes model. The following assumptions were used to determine fair value of the options:

	Black Scholes Grant April	Black Scholes Grant February
Weighted average share price at grant date (pence)	74.0	48.0
Exercise price (pence)	10.0	10.0
Expected volatility (%)	64.77	55.89
Average option life (year)	5	5
Expected dividend (%)	0.0	0.0
Risk free interest rate (%)	0.19	0.07
	-----	-----

The expected volatility is based on the historic volatility of the Company's share price.

Notes to the Consolidated Financial Statements *(continued)*

4 Share based payments *(continued)*

Charge to the income statement

The charge to the income statement comprises:

	2021	2020
	£000	£000
Share-based payment charges	2,152	247
	2,152	247

The increased charge in 2021 compared to 2020 is related to the options granted in the year having their charge accelerated fully into 2021. This was due to the acquisition of Proactis Holdings Limited on the 28 July 2021. Had the acquisition not occurred, the charge would have been spread over the 3 year vesting period.

5 Operating loss

	2021	2020
	£000	£000
Operating loss is stated after charging :		
Depreciation of property, plant and equipment (Note 9)	1,784	1,642
Amortisation of software for own use and development costs (Note 10)	7,860	7,185
Amortisation of customer related intangible assets (Note 10)	3,479	3,479
Impairment of goodwill (Note 10)	-	14,813
Share base payment charge (Note 4)	2,152	247
Lease rentals on short-term leases arising under IFRS 16	45	157
	2,152	247
	£000	£000
Auditors' remuneration:		
Audit of these financial statements	119	152
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	84	118
Other services relating to taxation compliance	-	27
Other tax services	-	20
Other professional services	214	-
	214	-

Notes to the Consolidated Financial Statements *(continued)*

6 Finance income

	2021	2020
	£000	£000
Other interest receivable	32	-
	-----	-----

7 Finance expenses

	2021	2020
	£000	£000
Bank interest	1,327	1,291
Other interest	416	273
Change in fair value of convertible loan notes	141	(282)
Net foreign exchange gain on convertible loan notes	(340)	(219)
Release of equity component of convertible loan notes	-	(89)
Net financial expense from employee defined benefit plans	10	-
	-----	-----
	1,554	974
	-----	-----

Notes to the Consolidated Financial Statements *(continued)*

8 Taxation

Recognised in the income statement	2021 £000	2020 £000
<i>Current tax</i>		
Current year	300	407
Adjustment in respect of prior periods	44	(87)
	-----	-----
Total current tax	344	320
	-----	-----
<i>Deferred tax</i>		
Adjustment in respect of prior periods	5	78
Effect of change in tax rates on deferred tax	355	372
Recognised in current year	(1,212)	(750)
	-----	-----
Total deferred tax	(852)	(300)
	-----	-----
Total tax in income statement	(508)	20
	-----	-----
Reconciliation of effective tax rate	2021 £000	2020 £000
Loss before tax for the period	(8,569)	(19,340)
Tax using the UK corporation tax rate of 19% (2020: 19%)	(1,628)	(3,675)
Effect of differential foreign tax rates	(861)	(422)
Current tax adjustments in respect of prior periods	44	(87)
Deferred tax adjustments in respect of prior periods	5	78
Disallowable net expenses	559	2,745
Losses used not previously recognised ²	(922)	(304)
Relief from governmental tax incentives ¹	(169)	(367)
Effect of change in tax rates on deferred tax (see below)	355	372
Current year losses for which no deferred tax asset is recognised	2,038	1,581
Adjustments in respect of share-based payments	71	99
	-----	-----
Total tax (credit)/charge	(508)	20
	-----	-----

Note 1: This item includes the effect of tax relief in respect of qualifying governmental tax incentives.

Note 2: The Group has substantial tax losses in some of its subsidiary undertakings which have been utilised during the period. These are reviewed annually and a deferred tax asset based on the next three to five years profitability is recognised in these numbers.

It was announced that the current corporation tax rate of 19% would be increased to 25% with effect from 1 April 2023. This change was enacted in May 2021. The UK deferred tax asset and liabilities at 31 July 2021 have been calculated based on these rates.

Contingent liability

A claim in relation to the amount of tax paid was lodged during the previous financial year against a branch in the Philippines. At the year end this process was ongoing and based on legal advice received by the Group, at 31 July 2021 it was less than probable that a material liability would arise. Post year end, the claim has been resolved and settled at an amount not deemed to be an adjusting post balance sheet event.

Notes to the Consolidated Financial Statements *(continued)*

9 Property, plant and equipment

	Computer equipment £000	Office fixtures & fittings £000	Right-of-use assets £000	Total £000
Cost				
At 31 July 2019	2,331	1,020	-	3,351
Recognised on adoption of IFRS 16	-	-	5,135	5,135
Additions	319	178	232	729
Remeasurements	-	-	(220)	(220)
Transfers	-	(70)	70	-
Effect of movements in exchange rates	(323)	(11)	(146)	(480)
Disposals	(314)	(69)	-	(383)
At 31 July 2020	2,013	1,048	5,071	8,132
Additions	146	6	1,551	1,703
Remeasurements	-	-	20	20
Effect of movements in exchange rates	(165)	(7)	(147)	(319)
Disposals	(196)	-	(254)	(450)
At 31 July 2021	1,798	1,047	6,241	9,086
Depreciation				
At 31 July 2019	1,444	282	-	1,726
Transfers	-	(28)	28	-
Charge for the year	356	161	1,125	1,642
Effect of movements in exchange rates	(305)	(8)	3	(310)
Disposals	(304)	(61)	-	(365)
At 31 July 2020	1,191	346	1,156	2,693
Charge for the year	379	169	1,236	1,784
Effect of movements in exchange rates	(138)	27	(50)	(161)
Disposals	(195)	-	(152)	(347)
At 31 July 2021	1,237	542	2,190	3,969
Net book value				
At 31 July 2020	822	702	3,915	5,439
At 31 July 2021	561	505	4,051	5,117

Net book value of ROU assets of £4,051,000 (2020: £3,915,000) includes land and buildings £2,448,000 (2020: £3,497,000), motor vehicles £474,000 (2020: £322,000), computer hardware £1,063,000 (2020: £Nil) and other office equipment £66,000 (2020: £96,000).

ROU assets include other office equipment previously held within office fixtures and fittings under IAS17 – Leases with a net book value of £14,000 (2020: £28,000).

Additions in relation to ROU assets of £1,551,000 (2020: £232,000) includes land and buildings £Nil (2020: £Nil), motor vehicles £322,000 (2020: £232,000), computer hardware £1,214,000 (2020: £Nil) and other office equipment £15,000 (2020: £Nil).

Depreciation charge in relation to ROU assets of £1,235,000 (2020: £1,125,000) includes land and buildings £867,000 (2020: £915,000), motor vehicles £169,000 (2020: £166,000), computer hardware £159,000 (2020: £Nil) and other office equipment £40,000 (2020: £44,000).

Notes to the Consolidated Financial Statements *(continued)*

10 Intangible assets

	Goodwill £000	Customer related intangibles £000	Development costs £000	Software for own use £000	Total £000
Cost					
At 31 July 2019	115,758	42,356	32,765	3,938	194,817
Internally developed	-	-	8,506	19	8,525
Additions	-	-	-	33	33
Disposals	-	-	-	(117)	(117)
Effect of movements in exchange rates	-	-	(1,207)	(93)	(1,300)
At 31 July 2020	115,758	42,356	40,064	3,780	201,958
Internally developed	-	-	8,424	-	8,424
Additions	-	-	-	286	286
Effect of movements in exchange rates	-	-	(1,677)	(19)	(1,696)
At 31 July 2021	115,758	42,356	46,811	4,047	208,972
Amortisation and impairment					
At 31 July 2019	26,999	10,134	18,509	3,093	58,735
Amortisation for the year	-	3,479	6,717	468	10,664
Impairment in the year	14,813	-	-	-	14,813
Disposals	-	-	-	(117)	(117)
Effect of movements in exchange rates	-	-	(800)	(91)	(891)
At 31 July 2020	41,812	13,613	24,426	3,353	83,204
Amortisation for the year	-	3,479	7,562	298	11,339
Impairment in the year	-	-	-	-	-
Effect of movements in exchange rates	-	-	(1,145)	(14)	(1,159)
At 31 July 2021	41,812	17,092	30,843	3,637	93,384
Carrying amounts					
At 31 July 2020	73,946	28,743	15,638	427	118,754
At 31 July 2021	73,946	25,264	15,968	410	115,588

Notes to the Consolidated Financial Statements *(continued)*

10 Intangible assets (continued)

The goodwill and other intangible assets are allocated to the Group's Cash Generating Unit's ("CGUs") as follows:

	Buyer					Supplier			Total
	United Kingdom	United States	France	Germany	Netherlands	Global Transactions	Proactis Tenders	bePayd	
2021	£000	£000	£000	£000	£000	£000	£000	£000	£000
Goodwill	31,492	8,140	1,301	2,388	11,090	6,518	13,017	-	73,946
Other intangible assets	11,081	12,941	3,868	1,076	4,803	4,199	3,064	610	41,642
Total intangible assets	42,573	21,081	5,169	3,464	15,893	10,717	16,081	610	115,588

	United Kingdom	United States	France	Germany	Netherlands	Global Transactions	Proactis Tenders	bePayd	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
2020									
Goodwill	31,492	8,140	1,301	2,388	11,090	6,518	13,017	-	73,946
Other intangible assets	11,295	14,310	4,894	1,291	4,692	3,909	3,407	1,010	44,808
Total intangible assets	42,787	22,450	6,195	3,679	15,782	10,427	16,424	1,010	118,754

The CGUs reflect the lowest level within the Group which goodwill is monitored for internal management purposes. The UK, US, France, Germany and Netherlands CGUs consolidate into the Business Spend Management ("Buyer") reportable segment. The Global Transactions, Proactis Tenders and bePayd CGUs consolidate into the Supplier reportable segment. The CGUs are deemed to represent the lowest level of assets generating largely independent cash inflows.

Notes to the Consolidated Financial Statements *(continued)*

10 Intangible assets *(continued)*

Goodwill impairment testing

In accordance with IFRS, the Group tests the carrying value of goodwill and intangible assets for impairment annually and whenever events or circumstances change.

Impairment testing is performed by comparing the carrying value of those assets within each CGU to the recoverable amount, determined on the basis of the CGU's value in use. The value in use is based on the net present value of future cash flow projections discounted at pre-tax rates appropriate for each CGU.

The Group's CGUs for the purposes of impairment testing, consist of United Kingdom, United States, France, Germany, Netherlands, Global Transactions, Proactis Tenders and bePayd.

The value-in-use calculations are based upon detailed budgets and forecasts prepared over a four-year period, followed by an extrapolation into perpetuity for the terminal value of expected cash flows at growth rates given below, discounted at the rates provided below. Growth rates used reflect the best estimates of the long-term growth rate for each CGU. The discount rates reflect the different risk profiles the directors attach to each income stream and CGU.

Key assumptions used in the value-in-use calculations are as follows:

	2021	2020
	%	%
Long term growth rate	2.00	2.00
Discount rate (pre-tax rate) UK CGU	10.77	10.50
Discount rate (pre-tax rate) NL CGU	11.65	10.62
Discount rate (pre-tax rate) US CGU	11.24	10.45
Discount rate (pre-tax rate) FR CGU	9.40	9.20
Discount rate (pre-tax rate) DE CGU	13.85	11.87
Discount rate (pre-tax rate) Global Transactions CGU	10.95	9.66
Discount rate (pre-tax rate) Proactis Tenders CGU	11.51	10.49
Discount rate (pre-tax rate) bePayd CGU	11.43	10.54
Budgeted overall revenue growth rate (average of next 4 years) ¹	7.68	9.79
Budgeted staff costs growth rate (average of next 4 years)	1.30	1.90

¹The budgeted average revenue growth rates range from around 1% in the most established CGUs to in the region of 39% in the smaller expanding CGUs, which are growing from a lower base.

The value-in-use calculations performed at 31 July 2021 were prepared based on management's best estimates of future performance, taking into account market conditions and the historic performance of each CGU. Based on the value-in-use calculations prepared there was no requirement for an impairment to be recognised.

Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount in the Proactis Tenders CGU. A 0.17% movement in the discount rate or a 0.48% reduction in initial revenue growth would remove the headroom in the Proactis Tenders CGU.

Management has identified that a reasonably possible change in one key assumption could cause the carrying amount to exceed the recoverable amount in the French CGU. A 1.4% reduction in initial revenue growth would remove the headroom in the French CGU.

Notes to the Consolidated Financial Statements *(continued)*

10 Intangible assets *(continued)*

Management does not believe a reasonable possible change in key assumptions would erode the headroom in the UK, German, Dutch, US, Global Transactions and bePayd CGUs.

Other intangible assets

The directors determine the initial recognition of development costs and software for own use by reference to the amount of time spent by relevant staff on development, subject to the expectation that the development will be completed and there will either be an external market for the development or the asset will be used internally to assist in generating future economic benefits. The directors currently consider that the full direct salary costs of the Group's development and technical teams and all of the costs of development resource bought in from third parties meet the criteria to be capitalised. The employees are solely tasked with development of the Group products and as such it is appropriate to fully capitalise the costs of employee benefits under IAS19 and IAS38. This estimate has not changed during this or the previous financial year.

Amortisation and impairment

The amortisation charge is recognised in the following line items in the income statement:

	2021	2020
	£000	£000
Development costs	7,562	6,717
Customer-related intangible assets	3,479	3,479
Software for own use	298	468
Impairment of goodwill	-	14,813
	11,339	25,477
Administrative costs		

Development costs, customer-related intangibles and software for own use are amortised on a straight-line basis over their useful life, which is the period during which they are expected to generate revenue. The estimated useful life of development costs and software for own use is three years (2020: three years) which resulted in an amortisation charge of £7,562,000 (2020: £6,717,000) and £298,000 (2020: £468,000) respectively. The directors consider that three years is a suitably short estimate of the useful economic life of the development costs capitalised because of the fast rate of change of technological advancement and market demand and this estimate has not changed during this or the previous financial year. The estimated useful life of the customer-related intangible assets are in the range nine to 25 years (2020: nine to 25 years). This has resulted in a charge of £3,479,000 (2020: £3,479,000).

Notes to the Consolidated Financial Statements *(continued)*

11 Trade and other receivables

	2021 £000	2020 £000 Restated
Trade receivables (net of expected credit loss provision of £469,000 (2020: £1,175,000))	5,953	6,528
- IFRS15 offset with contract liabilities	(2,569)	(3,102)
- IFRS15 transfer to contract assets	(611)	(1,385)
	2,773	2,041
Net trade receivables	2,773	2,041
Prepayments	5,606	2,881
Contract assets	2,879	4,141
Deferred contract costs	1,126	1,074
Income tax	160	-
	12,544	10,137

Included within trade and other receivables is £Nil (2020: £Nil) expected to be recovered in more than 12 months.

Trade and other receivables denominated in currencies other than sterling comprise £1,647,000 (2020: £1,864,000) of trade receivables denominated in US dollars, £2,075,000 (2020: £3,442,000) denominated in euros, £3,000 (2020: £6,000) in New Zealand dollars, £14,000 (2020: £22,000) in Norwegian krone and £37,000 (2020: £55,000) denominated in Australian dollars. The fair values of trade and other receivables are the same as their book values.

The deferred contract costs balance relates to reseller commission costs and is recognised in the income statement at the same time as associated revenues. Where revenue is generated through resellers, which is usually SaaS in nature, the revenue is recognised in line with the accounting policies stated in Note 1. Contract costs to the value of £2,048,000 were recognised within the P&L during the year.

The movement on the Group's provisions against trade receivables are as follows:

	2021 £000	2020 £000
At the start of the year	1,175	1,908
Utilised in the period against uncollectable amounts	(386)	(344)
Charged to the income statement	(287)	(336)
Effect of movements in exchange rates	(33)	(53)
	469	1,175

Trade receivables that are past due are considered individually for impairment. The Group uses an expected credit methodology based two-year historic data as an indicator for impairment. The Group has considered the impacts over the period up to the date of signing the financial statements of COVID-19 on the trade receivables and as a result has no reason to revise this methodology. The Group has no reason to expect that the two-year historic data would not provide a fair indicator of the future impairment. The summarised ageing analysis of trade receivables past due but not impaired is as follows:

	2021 £000	2020 £000
Under 30 days overdue	1,290	781
Between 30 and 60 days overdue	389	184
Over 60 days overdue	23	31
	1,702	996

Notes to the Consolidated Financial Statements *(continued)*

11 Trade and other receivables *(continued)*

Trade receivables that are under 30 days overdue have a loss rate of between 0.1% and 16.0% applied to them dependant on the entity and type of sale. Trade receivables that are between 30 and 60 days overdue have a loss rate of between 3.7% and 29.0% applied to them. Trade receivables that are over 60 days overdue have a loss rate of between 8.8% and 100% applied to them.

The other classes within trade and other receivables do not contain impaired assets.

On a detailed review of IFRS 15 it was noted that 2 adjustments were required to the presentation of trade receivables. Per IFRS15.106, a contract liability and trade receivable should only be shown gross when payment has been received, or the invoice is due, for services not yet provided to the customer.

Per IFRS15.107, a contract asset should be recognised when an entity transfers a service to a customer before the customer pays consideration or before payment is due.

As such, a detailed review of the Groups debtors 'not yet due' for payment at year end was performed. The review resulted in the transfer of some trade receivable balance to contract assets and some to net off with the associated contract liability balance (Note 14). The same adjustment was required for 31 July 2020 and as such, the comparative position has been restated this year.

12 Cash and cash equivalents

	2021	2020
	£000	£000
Cash and cash equivalents	3,007	4,424
	-----	-----

Cash and cash equivalents denominated in foreign currencies other than sterling comprise £78,000 (2020: £231,000) denominated in US dollars, £1,601,000 (2020: £2,107,000) denominated in euros and £145,000 (2020: £136,000) in other currencies.

13 Trade and other payables

	2021	2020
	£000	£000
Trade payables	3,258	2,358
Other taxes and social security	1,987	1,899
Accruals and other creditors	8,786	4,879
	-----	-----
	14,031	9,136
	-----	-----

Trade and other payables denominated in currencies other than sterling comprise £1,420,000 (2020: £2,266,000) of trade payables denominated in US dollars, £2,715,000 (2020: £3,140,000) in euros and £127,000 (2020: £249,000) of trade payables in other currencies.

Notes to the Consolidated Financial Statements *(continued)*

14 Contract liabilities

Contract liabilities arise from certain products and services sold by the Group. In return for a single upfront payment or series of upfront payments, the Group commits to a fixed term contract to provide those products and services to customers. In these circumstances, income is recognised evenly over the term of the contract.

	2021	2020
	£000	£000
		Restated
Gross contract liabilities due within one year	17,987	18,242
IFRS15 offset with trade receivables	(2,569)	(3,102)
	-----	-----
Net contract liabilities due within one year	15,418	15,140
	-----	-----

See Note 11 for detail regarding the prior year restatement.

Movement in the Group's gross contract liabilities during the current and prior year are as follows:

	2021	2020
	£000	£000
Balance at the beginning of the period	18,426	17,498
Income deferred to future periods	17,851	17,700
Release of income deferred from previous periods	(17,632)	(16,443)
Effects of movements in exchange rates	(470)	(329)
	-----	-----
	18,175	18,426
	-----	-----

The contract liabilities are due as follows:

Within one year	17,987	18,242
After more than one year	188	184
	-----	-----
	18,175	18,426
	-----	-----

Income recognised during the year is as follows:

Income received	47,851	50,828
Income deferred to future periods	(17,851)	(17,700)
Release of income deferred from previous periods	17,632	16,443
	-----	-----
Income recognised in the year	47,632	49,571
	-----	-----

Transaction price allocated to the remaining performance obligations

Amounts of a customer contract's transaction price that are allocated to the remaining performance obligations represent contracted revenue that has not yet been recognised. This includes amounts recognised as contract liabilities and amounts that are contracted but not yet invoiced.

The transaction price allocated to performance obligations that are not yet satisfied or are partially satisfied as at 31 July 2021 is £47.2m (2020: £46.9m). This amount mostly comprises obligations to provide software support and subscriptions as the Group's respective contracts typically have durations of one or multiple years.

A significant proportion of this amount is expected to be recognised over the next 12 months, which is judgemental as it includes management estimates of possible future contract modifications. The amount of transaction price allocated to the remaining performance obligations, and changes in this amount over time, are impacted by a number of factors, including:

- Currency movements; and
- The timing of contract renewals.

Notes to the Consolidated Financial Statements *(continued)*

15 Deferred tax assets and liabilities

Deferred tax assets and liabilities are analysed below and are disclosed as non-current assets or liabilities in the balance sheet.

	2021 £000	2020 £000
<i>Deferred tax assets</i>		
Trading losses arising in foreign operations	708	746
	708	746
<i>Deferred tax liabilities</i>		
On customer-related intangible assets, development costs and software for own use	8,306	9,190
Trading losses	(460)	(380)
	7,846	8,810

Movement in deferred tax for the year ended 31 July 2021

	As at 31 July 2020 £000	Foreign exchange movements £000	As at 31 July 2021 £000
<i>Deferred tax assets</i>			
Trading losses arising in foreign operations	746	(38)	708
	746	(38)	708

	As at 31 July 2020 £000	Foreign exchange movements £000	Tax rate change £000	Income statement £000	As at 31 July 2021 £000
<i>Deferred tax liabilities</i>					
On customer-related intangible assets, development costs and software for own use	9,190	(112)	435	(1,207)	8,306
Trading losses	(380)	-	(80)	-	(460)
	8,810	(112)	355	(1,207)	7,846

	2021 £000	2020 £000
<i>Deferred tax assets not recognised</i>		
Accessible tax losses - not recognised as future economic benefit is uncertain	14,778	16,024
Deductible temporary differences	12,496	14,437

The Group has not recognised a deferred tax asset in relation to these tax losses as there is not sufficient certainty regarding the likelihood that the entities will be in a position to utilise these in the future. The deductible temporary differences will be subject to revaluation following purchase prices allocations resulting from the acquisition of the Group in July 2021.

Notes to the Consolidated Financial Statements *(continued)*

16 Share capital

	2021	2020
	£000	£000
Allotted, called up and fully paid		
- 95,532,628 ordinary shares of 10p each (2020: 95,532,628)	9,553	9,553
Allotted, called up and not paid		
- 4,288,735 ordinary shares of 10p each (2020: Nil)	429	-
	9,982	9,553

The Group made one share issue in July 2021 of 4,288,735 ordinary shares of 10p each at a weighted average price of 12.5p per share pursuant to the exercising of options by past and present employees or directors. The shares were paid on the following payroll date for each individual involved which occurred during the month of August. The settlement of the exercise price of these shares took the form of a deduction from the share sale proceeds which occurred in August 2021.

The Group's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. During 2021, the Group's strategy, which was unchanged from 2020, was to maximise net cash. The Board had previously announced the suspension of annual dividend payments and therefore no dividends were paid in the current year. Gross cash at 31 July 2021, including cash for assets held for sale, was £3,374,000 (2020: £5,543,000).

Share option schemes

The Company operated six share option schemes; an EMI Scheme and five Unapproved Option Schemes. At 31 July 2021, all options had been granted and exercised under the EMI scheme. At 31 July 2021, all options had been granted and exercised or surrendered and lapsed under the Unapproved Option Schemes.

17 Capital and reserves

Share premium

The Group has issued 4,288,735 (2020: 313,832) ordinary shares of 10p each during the year at a weighted average price of 12.5p (2020: 56.4p) per share, creating a share premium of £106,000 (2020: £146,000). Costs totalling £Nil (2020: £Nil) were offset against the share premium.

The share premium as at 31 July 2021 is £106,000 (2020: £Nil).

Merger reserve

The merger reserve of £556,000 (2020: £556,000) arose from the application of merger accounting principles to the financial statements on implementation of the capital reorganisation of the Group during the year ended 31 July 2006. The directors considered that this treatment was required for the accounts to present a true and fair view of the Group's results and financial position.

Capital reserve

The capital reserve arose on issue of share options as part of the consideration for the purchase of Alito (UK) Limited. The reserve is not distributable.

Foreign exchange reserve

The foreign exchange reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as any foreign currency differences arising from the retranslation of intercompany balances which are in effect a net investment in a foreign operation.

Notes to the Consolidated Financial Statements *(continued)*

18 Loans and borrowings

	2021 £000	2020 £000
Non-current liabilities		
Secured bank loans	-	41,744
US Government loan	-	336
Convertible notes	-	6,073
	-----	-----
Lease liabilities	3,053	48,153
	-----	-----
	3,053	51,317
	-----	-----

The convertible loan notes have a coupon rate of 2% and 3%.

	2021 £000	2020 £000
Current liabilities		
Secured bank loans	41,890	936
US Government loan	-	420
Convertible notes	6,006	-
	-----	-----
Lease liabilities	47,896	1,356
	-----	-----
	1,162	1,008
	-----	-----
	49,058	2,364
	-----	-----

Information about the Group's exposure to interest rate, foreign currency and liquidity risks is included in Note 23.

The terms and conditions of the outstanding loans are as follows.

	Currency	Nominal interest rate	Year of maturity	2021 Face value £000	2021 Carrying amount £000	2020 Face value £000	2020 Carrying amount £000
Term facility	GBPLIBOR	+1.95%	2022	6,750	6,750	7,500	7,500
Revolving facility	GBP/EUR	LIBOR +1.75- 3.5%	2022	35,140	35,140	35,180	35,180
US Government loan	USD	1%	2022	-	-	756	756
Convertible notes (A)	USD	2%	2022	2,517	2,517	2,550	2,550
Convertible notes (B)	EUR	3%	2023	2,623	2,623	2,602	2,602
Convertible notes (C)	EUR	3%	2024	866	866	921	921
Lease liabilities	GBP/EUR/USD			4,215	4,215	4,172	4,172
				-----	-----	-----	-----
Total interest-bearing liabilities				52,111	52,111	53,681	53,681
				-----	-----	-----	-----

The Term Loan and the Revolving Credit Facility are secured by way of a debenture over the assets of the Group and have certain performance criteria related to their ongoing availability.

Convertible notes (A) were issued on 4 August 2017. They are convertible into 1,770,546 ordinary shares at any time at the option of the holder. Any unconverted notes become payable on demand on 8 July 2022. This instrument is accounted for at fair value.

Notes to the Consolidated Financial Statements *(continued)*

18 Loans and borrowings *(continued)*

Convertible notes (B) were issued on 6 August 2018. They are convertible into 1,578,425 ordinary shares at any time between 7 August 2020 and 6 August 2023 at the option of the holder. Any unconverted notes become payable on demand on 6 August 2023. These have been accounted for as a hybrid instrument. The amounts included above represent the value of the host liability. These notes were settled in August 2021 for £2,618,000.

Convertible notes (C) were issued on 6 January 2020. They are convertible into 526,142 ordinary shares at any time between 7 January 2022 and 6 November 2024 at the option of the holder. Any unconverted notes become payable on demand on 6 November 2024. These have been accounted for as a hybrid instrument. The amounts included above represent the value of the host liability. These notes were settled in August 2021 for £865,000.

On 29 April 2020, Perfect Commerce LLC, a US subsidiary of Proactis Holdings Limited, applied for a US Paycheck Protection Program ("PPP") loan and was awarded a loan to the value of £756,000 (\$992,000). The forgiveness of the loan, which was based on prescribed conditions being met, was granted in full in the current financial year. At the time of this forgiveness the full loan was released into the income statement.

	£000
Convertible notes	
Carrying amount of liability as at 31 July 2020	6,073
Accreted interest	293
Interest paid	(161)
Impact of fair value revaluation	141
The effect of changes in foreign exchange rates	(340)

Carrying amount of liability as at 31 July 2021	6,006

Notes to the Consolidated Financial Statements *(continued)*

18 Loans and borrowings *(continued)*

Reconciliation of movements of liabilities arising from financing activities

	Bank loans and borrowings	US Government Loan	Convertible notes	Lease liabilities	Total
	£000	£000	£000	£000	£000
Balance at 31 July 2020	42,680	756	6,073	4,172	53,681
<i>Changes from financing cashflows</i>					
Receipts from loans and borrowings	1,007	-	-	-	1,007
Repayment of borrowings	(1,474)	-	-	-	(1,474)
Finance lease payments	-	-	-	(1,251)	(1,251)
Total changes from financing cashflows	(467)	-	-	(1,251)	(1,718)
The effect of changes in foreign exchange rates	(370)	(40)	(340)	(129)	(879)
<i>Other changes</i>					
Impact of fair value revaluation	-	-	141	-	141
Capitalised borrowing costs	57	-	-	-	57
Interest expense	1,327	-	293	116	1,736
Interest paid	(1,337)	-	(161)	-	(1,498)
New lease contracts	-	-	-	1,387	1,387
Leases disposed	-	-	-	(99)	(99)
Lease remeasurement	-	-	-	19	19
Loan forgiveness ¹	-	(716)	-	-	(716)
Balance at 31 July 2021	41,890	-	6,006	4,215	52,111

¹ US government loan was forgiven as the prescribed conditions of forgiveness of the loan were met during the period.

Notes to the Consolidated Financial Statements *(continued)*

18 Loans and borrowings (continued)

	2021	2020
	£000	£000
Non-current		
Secured bank loans	-	41,744
US Government loan	-	336
Convertible notes	-	6,073
Lease liabilities	3,053	3,164
	-----	-----
Total non-current	3,053	51,317
	-----	-----
Current		
Secured bank loans	41,890	936
US Government loan	-	420
Convertible notes	6,006	-
Lease liabilities	1,162	1,008
	-----	-----
Total current	49,058	2,364
	-----	-----
Total borrowings	52,111	53,681
Less:		
Cash and cash equivalents, including cash from assets held for sale	3,374	5,543
	-----	-----
Net debt	48,737	48,138
	-----	-----

Notes to the Consolidated Financial Statements *(continued)*

19 Leases

Information in respect of ROU assets, including the carrying amount, additions and depreciation, are set out in Note 9 of these financial statements. Information in respect of the carrying value and interest arising on lease liabilities is set out in Note 18. A maturity analysis of lease liabilities is set out below.

The Group also enters into short-term leases and low value leases which are not recognised as ROU assets and lease liabilities. The expense recognised in the period in relation to these leases is disclosed in Note 5.

The total cash outflow for leases is included in the consolidated cashflow statement.

Maturity analysis – contractual undiscounted cash flows	2021	2020
	£000	£000
- Within one year	1,399	1,259
- Between one and two years	1,209	1,160
- Between two and five years	1,705	2,055
- After more than five years	240	360
	4,553	4,834
	-----	-----
	-----	-----
Amounts recognised in Income statement	2021	2020
	£000	£000
Interest on lease liabilities adopted under IFRS 16	293	130
	-----	-----
	293	130
	-----	-----

Notes to the Consolidated Financial Statements *(continued)*

20 Disposal Group classified as held for sale

At 31 July 2021, the Group was actively progressing the sale of a non-core element of the Group's Business Spend Management business. The Group expects the sale to be completed within 12 months of the year end.

The major classes of assets and liabilities, stated at book value, of the disposal group classified as held for sale at 31 July 2021 are as follows:

	2021	£000
Trade and other receivables	5,880	
Cash and cash equivalents	367	

Total assets classified as held for sale	6,247	

Trade and other payables	6,449	

Total liabilities classified as held for sale	6,449	

Revenue relating to this element of the Group's Business Spend Management business was £276,000 in the financial year ended 31 July 2021. Revenue for the Group for the current year was £47,632,000. Adjusted revenue of £47,356,000 refers to the revenue excluding the £276,000 attributable to this element of the business.

There was no gain or loss recognised on the recognition of the disposal group as held for sale.

21 Provisions

	Retirement provision £000	Total £000
Balance at 1 August 2020	492	492
Transfer to Employee benefit liabilities (Note 22)	(492)	(492)
	-----	-----
Balance at 31 July 2021	-	-
	-----	-----

Retirement provision

The retirement provision relates to the employees within the two French subsidiary companies. In France there is a requirement to make a lump sum pension payment if an employee reaches retirement age whilst employed by the Company. This provision has been reclassified to Employee benefit liabilities in 2021. The directors re-reviewed the schemes under IAS19 and found that their substance was that of a post-employment Defined Benefit (DB) scheme, hence the transfer and disclosures this year (Note 22). The value as at 31 July 2020 was appropriate, and the valuation of the provision was in accordance with IAS19 measurement. The directors have made the judgement to disclose this as a DB scheme in the current year and as such there are no prior year adjustments as it is not material.

Notes to the Consolidated Financial Statements *(continued)*

22 Employee benefit liabilities

Liabilities for employee benefits comprise:

	2021	2020
	£000	£000
Defined benefit schemes	569	-
Categorised as:		
	2021	2020
	£000	£000
Non-current	569	-
	569	-

Estimates and assumptions

The costs, assets and liabilities of the defined benefit schemes operating by the Group are determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions are set out below. Changes in the assumptions used may have a significant effect on the consolidated statement of comprehensive income and the consolidated balance sheet.

Defined benefit schemes

The Group operates two post-employment defined benefit schemes for its employees in France and The Philippines.

France

In France, the defined benefit obligation for all plans totalled £370,000 as of 31 July 2021. The obligation relates to retirement indemnities (legally required payments) paid in a lump sum on retirement. These indemnities represent a number of months' salary based on seniority and are legally required by the applicable collective-bargaining agreement to be paid on an employee's retirement. This obligation is unfunded.

The Philippines

In the Philippines, the defined benefit obligation for all plans totalled £199,000 as of 31 July 2021. The obligation relates to retirement indemnities (legally required payments) paid in a lump sum on retirement. These indemnities represent a number of months' salary and are legally required to be paid on an employee's retirement. This obligation is unfunded.

The schemes are exposed to a number of risks, including:

- Interest rate risk: decreases/increases in the discount rate used (high quality corporate bonds) will increase/decrease the defined benefit obligation
- Longevity risk: changes in the estimation of mortality rates of current and former employees.
- Salary risk: increases in future salaries increase the gross defined benefit obligation.

In the financial year to 31 July 2022, the Group does not expect to contribute to its defined benefit schemes.

Notes to the Consolidated Financial Statements *(continued)*

22 Employee benefit liabilities *(continued)*

Reconciliation of defined benefit obligation

Both Schemes are exposed to materially the same risks and therefore the reconciliation below is presented in aggregate.

	2021 £000	2020 £000
Balance at 1 August	-	-
Transfer from provisions and accruals	548	-
Service cost – current	67	-
Interest cost	10	-
	77	-
Included in profit or loss	77	-
Remeasurement loss/(gain)		
Actuarial loss/(gain) from:		
- Financial assumptions	(23)	-
- Adjustments (experience)	2	-
	(21)	-
Included in other comprehensive income	(21)	-
Effects of movements in exchange rates	(35)	-
	569	-
Balance at 31 July	569	-
Split as:		
France	370	-
The Philippines	199	-
	569	-
	569	-

Defined benefit obligation - actuarial assumptions

The principal actuarial assumptions used in determining calculating the present value of the defined benefit obligations (weighted average) include:

	2021	2020
Discount rate	1.7%	-
Growth in future salaries	2.0%	-

The weighted-average duration of the defined benefit obligation at 31 July 2021 was 17.8 years.

Notes to the Consolidated Financial Statements *(continued)*

22 Employee benefit liabilities (continued)

Defined benefit obligation – sensitivity analysis

The impact to the value of the defined benefit obligation of a reasonably possible change to one actuarial assumption, holding all other assumption constant, is presented in the table below:

	Reasonably possible change	Defined benefit obligation	
		Increase £000	Decrease £000
<i>Actuarial assumption</i>			
Discount rate	(+/- 1.00%)	49	(73)
Growth in future salaries	(+/- 1.00%)	96	(80)

The measurement of these plans was always considered to be IAS19 compliant, albeit the balances were shown as a provision previously (Note 21). The directors have decided to disclose the schemes as a DB scheme under IAS19 and therefore have given additional disclosures this year. The comparatives will build over time going forward. Due to the total liability amount being included in provisions last year (and no change in value if IAS 19 disclosures had been used) the directors do not believe any prior year restatements are required.

23 Financial risk management

Overview

The Group has exposure to the following risks

- Credit risk
- Interest rate risk
- Currency risk
- Liquidity risk

This note presents information about the Group's exposure to each of the above risks and the Group's objectives and processes for managing this risk. Further disclosures are included throughout these consolidated financial statements.

Financial instruments policy

Treasury and financial risk policies are set by the Board and have remained unchanged from the previous period. All instruments utilised by the Group are for financing purposes. The day-to-day financial management and treasury function is controlled centrally for all operations.

Financial assets and liabilities

The Group's financial instruments comprise cash and liquid resources, and various items such as trade receivables and trade payables that arise directly from its operations.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Notes to the Consolidated Financial Statements *(continued)*

23 Financial risk management (continued)

Interest rate risk

The Group manages its cash position in a manner designed to minimise interest payable on its structured finance facilities. Surplus cash funds are used to reduce debt. At the year-end date there was exposure to movements in interest rates and a 1% increase in interest rates would reduce profit before tax by approximately £420,000.

Liquidity risk management

The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring both forecast as well as actual cash flows to enable matching of the maturity profiles of financial assets and liabilities. Sufficient cash is retained to service short-term financing needs.

Currency risk

The Group is exposed to fluctuations in exchange rates as the majority of its future revenues will be denominated in foreign currencies, comprising US dollars, euros, Australian dollars and New Zealand dollars. The Group seeks to remove this risk by invoicing in sterling but this is largely not possible. Where it is not possible, the Group may hedge such transactions through foreign exchange forward contracts. The Group also has a majority of its future costs denominated in the same currencies which provides a natural hedge.

Interest rate and currency profile

	2021 £000	2020 £000
<i>Financial assets</i>		
Gross trade receivables	5,953	6,528
Cash at bank	3,007	4,424
	----- 8,960	----- 10,952

Cash at bank attracted interest at floating rates, which were 0% at the year-end (2020: 0%).

	2021 £000	2020 £000
<i>Financial liabilities</i>		
Trade payables	3,258	2,358
Other short-term liabilities	1,987	1,899
Bank borrowings	41,890	42,680
Convertible loan notes	6,006	6,073
Lease liabilities	4,215	4,172
US Government Loan	-	756
	----- 57,356	----- 57,938

All of the financial assets and liabilities detailed above are recorded at amortised cost. Bank borrowings are in the form of a term loan repayable over one year at an interest rate of 1.95% per annum above LIBOR and a revolving credit facility which is in place for three years at interest rates between 1.75% and 3.50% per annum above LIBOR. The term loan and the revolving credit facility are secured by way of a debenture over the assets of the Group and has certain performance criteria related to its ongoing availability.

Notes to the Consolidated Financial Statements *(continued)*

23 Financial risk management (continued)

	2021	2020
	£000	£000
<i>Maturity profile of financial liabilities</i>		
In one year or on demand	54,303	6,623
In one to two years	1,219	6,669
In two to five years	1,834	44,646
	57,356	57,938

The currency profiles of the financial assets and financial liabilities are explained in the respective notes.

Fair value of financial instruments

At 31 July 2021 the difference between the book value and the fair value of the Group's financial assets and liabilities measured at amortised cost was £Nil (2020: £Nil).

Sensitivity analysis

The Group is materially exposed to changes in interest rates and the Board estimates that a 1% change in interest rate would result in a £420,000 reduction in profit before tax. The Group is also materially exposed to changes in the exchange rates, specifically the US dollar and the euro, and the Board estimates that a 5% weakening in sterling would impact the Group's profit before tax by £217,000 and £41,000 respectively.

24 Commitments

Capital commitments

There were no capital commitments existing at 31 July 2021 or 31 July 2020.

25 Pensions

The Group operates a defined contribution pension scheme for its employees. In addition, in France and the Philippines there are requirements for a pension payment should an employee reach retirement age whilst employed by the Company (Note 22).

The pension cost charge for the year represents contributions payable by the Group to the defined contribution pension schemes, other personal pension plans and the French and Pilipino defined benefit pension service cost. The cost in the year amounted to £1,160,000 (2020: £1,089,000). There were outstanding contributions at 31 July 2021 of £145,000 (2020: £130,000) and a defined benefit obligation of £569,000 (2020: provision of £492,000).

26 Accounting estimates and judgements

The directors discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The accounting policies are set out in Note 1.

The directors consider that the key estimates made in preparation of the financial statements are:

Carrying value of intangible fixed assets

A number of commercial and financial assumptions and estimates have been made to support both the initial recognition and the current carrying values of the intangible asset categories of goodwill, customer-related intangible assets, development costs and software for own use. These are described within Note 10.

The directors consider that the key judgements made in preparation of the financial statements are:

Notes to the Consolidated Financial Statements *(continued)*

26 Accounting estimates and judgements (continued)

Allocation of goodwill across cash generating units

Goodwill is initially allocated between the Group's CGUs by reference to the expected benefits from synergies of a business combination. Judgement was required to allocate the goodwill. Goodwill associated with Proactis Tenders was split out of the UK based on original acquisition due diligence reports. France, Germany and Global Transactions goodwill was also split based on information included within original acquisition due diligence reports.

27 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and have therefore not been disclosed.

Remuneration of key management personnel

The remuneration of and the amounts due from the directors, are provided in Note 3. In addition, the Group recognised a share-based payment charge under IFRS 2 'Share-based Payment' in respect of the directors of £1,016,000 (2020: £82,000).

28 Non-controlling interest

The following subsidiaries have material non-controlling interest ("NCI").

Name	Principal place of business/country of incorporation	Ownership interests held by NCI	
		2021 %	2020 %
Proactis SA	France	11.49	11.49

The following is summarised financial information for the Proactis SA subgroup, prepared in accordance with IFRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The information is before intercompany eliminations with other companies in the Group.

	Proactis SA subgroup	
	2021 £000	2020 £000
Revenue	9,914	10,829
Profit/(Loss) after tax	483	(2,996)
Profit/(Loss) attributable to NCI	55	(343)
Current assets	10,186	9,987
Non-current assets	10,983	12,686
Current liabilities	(5,323)	(6,271)
Non-current liabilities	(2,755)	(3,624)
Net assets	13,091	12,778
Net assets attributable to NCI	1,504	1,468
Cash flows from operating activities	1,757	1,171
Cash flows from investing activities	(1,776)	(2,090)
Cash flows from financing activities	(355)	(390)
Net decrease in cash and cash equivalents	(374)	(1,309)

The Group's equity interest in Proactis SA remained at 88.51% throughout the financial year.

Notes to the Consolidated Financial Statements *(continued)*

29 Post balance sheet events

On 30 November 2021 new bank facilities were signed with HSBC. These new facilities consist of £35m debt facility including a £20m term loan and a £15m revolving credit facility, with a ratcheted coupon rate of at least 2.50% over SONIA and no higher than 6.50% over SONIA.

At 31 July 2021 gross bank debt was £41.9m and as a result of the acquisition, a debt repayment of £6.8m was made to HSBC using funds provided by the new owners. The Group's forecasts and projections show that the Group should be able to operate within the level of its new facilities and banking covenants.

Company Balance Sheet as at 31 July 2021

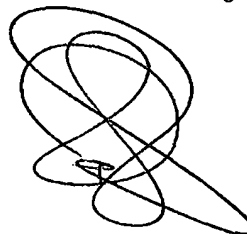
	Notes	2021 £000	2020 £000
Non-current assets			
Investments	33	80,327	79,828
Debtors : Amounts due after more than one year	34	6,900	3,200
		<u>87,227</u>	<u>83,028</u>
Current assets			
Debtors : Amounts due within one year	35	10,769	10,161
Cash at bank and in hand		893	1,221
		<u>11,662</u>	<u>11,382</u>
Creditors – amounts falling due within one year	36	(60,094)	(9,067)
Net current (liabilities)/assets		<u>(48,432)</u>	<u>2,315</u>
Total assets less current liabilities			
Creditors – amounts falling due after more than one year	37	-	(47,817)
Net assets		<u>38,795</u>	<u>37,526</u>
Capital and reserves			
Called up share capital	38	9,982	9,553
Share premium account	39	106	-
Capital reserve	39	449	449
Loss for the year	39	(1,418)	(16,143)
Profit and loss account	39	29,676	43,667
Shareholders' funds		<u>38,795</u>	<u>37,526</u>

The following notes form an integral part of these financial statements.

The balance sheet was approved by the Board of Directors on 10 December 2021 and signed on its behalf by:



Tim Sykes – Chief Executive Officer



Richard Hughes – Chief Financial Officer

Company Statement of Changes in Equity

	Share capital £000	Share premium £000	Capital reserve £000	Equity reserve £000	Retained earnings £000	Total £000
At 31 July 2019	9,522	83,513	449	89	(40,239)	53,334
Result for the period	-	-	-	-	(16,143)	(16,143)
Total comprehensive income for the period	-	-	-	-	(16,143)	(16,143)
Issue of ordinary shares related to business combinations	31	146	-	-	-	177
Share premium reduction	-	(83,659)	-	-	83,659	-
Release of equity component of convertible notes	-	-	-	(89)	-	(89)
Share-based payment charges	-	-	-	-	247	247
At 31 July 2020	9,553	-	449	-	27,524	37,526
Result for the period	-	-	-	-	(1,418)	(1,418)
Total comprehensive income for the period	-	-	-	-	(1,418)	(1,418)
Share options exercised	429	106	-	-	-	535
Share-based payment charges	-	-	-	-	2,152	2,152
At 31 July 2021	9,982	106	449	-	28,258	38,795

Details of the nature of each component of equity are given in Note 39.

The following notes form an integral part of these financial statements.

Company Cash Flow Statement for the year ended 31 July 2021

	2021	2020
	£000	£000
Operating activities		
Loss for the year	(1,418)	(16,143)
Dividend receipts settled through intercompany accounts	(4,523)	(3,000)
Intercompany charges settled through intercompany accounts	(1,031)	(1,204)
Net finance expense	1,390	821
Income tax charge	-	81
Share-based payment charges	1,016	82
Impairment on investments	636	16,903
	-----	-----
Operating cash flow before changes in working capital	(3,930)	(2,460)
Movement in trade and other receivables	15	12
Movement in trade and other payables and contract liabilities	4,205	5,756
Movement in acquisition related trade and other payables	1,586	-
	-----	-----
Operating cash flow from operations	1,876	3,308
Finance expense	(1,466)	(1,278)
Income tax received/(paid)	100	(480)
	-----	-----
Net cash flow from operating activities	510	1,550
	-----	-----
Financing activities		
Receipts from bank borrowings	1,007	830
Repayment of bank borrowings	(1,474)	(2,557)
	-----	-----
Net cash flow from financing activities	(467)	(1,727)
	-----	-----
Effect of exchange rate movements on cash and cash equivalents	(371)	130
Net increase/(decrease) in cash and cash equivalents	43	(177)
Cash and cash equivalents at the beginning of the year	1,221	1,268
	-----	-----
Cash and cash equivalents at the end of the year	893	1,221
	-----	-----

The following notes form an integral part of these financial statements.

Notes to the Company Balance Sheet

30 Company accounting policies

Basis of preparation

As used in the financial statements and related notes, the term 'Company' refers to Proactis Holdings Limited. The separate financial statements of the Company are presented as required by the Companies Act 2006.

The Company has prepared financial statements that comply with FRS 101 applicable as at 31 July 2021.

These financial statements have been prepared in pounds sterling to the nearest thousand (£'000), which is also the functional currency of the Company.

Where relevant, equivalent disclosures have been given in the Group accounts of Proactis Holdings Limited. The Group accounts of Proactis Holdings Limited are available to the public and can be obtained as set out in Note 1. Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The parent company had a loss of £1,418,000 for the year ended 31 July 2021 (2020: loss £16,143,000).

These financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

Certain disclosures have been included in the consolidated notes section of these financial statements in pages 17 to 62. These include:

- disclosures in respect of share-based payments (see Note 4);
- certain disclosures required by IFRS 7 Financial Instrument Disclosures on the basis that the consolidated financial statements include the equivalent disclosures (see Note 23);
- disclosures in respect of capital management (see Note 23); and
- disclosures in respect of Directors remuneration (see Note 3).

The Company's considerations over the going concern assumption are the same as those set out in Note 1 to the Group financial statements. As set out in that note no impairment charge was taken against goodwill at the Group level. This impairment review at a Company level, when reviewing value in use calculations against investment carrying values, delivered an impairment charge of £0.6m.

After making enquiries; subject to the ongoing support of the Group's lending bank, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Investments

Fixed asset investments are stated at cost less provision for impairment where appropriate. The directors consider annually whether a provision against the value of investments on an individual basis is required. Such provisions are charged in the profit and loss account in the year.

Share options of the company shares, have been granted to employees in subsidiary companies in the current and previous years. The associated share option charges are treated as an increase in investment in the subsidiary.

Cash and liquid resources

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at close to their carrying values or traded in an active market. Liquid resources comprise term deposits of more than seven days.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Share-based payments

The Company accounting policies followed are the same as the Group's policy under IFRS 2 'Share-based payment'. The policy is shown in the Group accounting policies in Note 1.

Notes to the Company Balance Sheet *(continued)*

31 Employees

The only employees of the Company were the directors.

Details of directors' remuneration, share options and directors' pension entitlements are disclosed in Note 3.

32 Employee share option schemes

The Company has granted share options to employees under one Inland Revenue approved EMI scheme incentive plan and four unapproved share option plans (ESO, ESO 2017, Executive Bonus Plan 2017, LTIP 2017).

The Company recognised total expenses of £1,016,000 (2020: £82,000) in relation to these equity settled share-based payment transactions.

Details of the schemes are given in Note 4.

33 Investments

	Shares in subsidiary undertakings £000
Cost	
At 31 July 2020	144,281
Share-based payments in relation to subsidiary undertakings	1,135

At 31 July 2021	145,416

Impairment	
At 31 July 2020	64,453
Impairment in the year	636

At 31 July 2021	65,089

Carrying amounts	
At 31 July 2020	79,828

At 31 July 2021	80,327

Notes to the Company Balance Sheet (continued)

33 Investments (continued)

The companies in which Proactis Holdings Limited holds an interest are as follows :

Subsidiary undertakings	Country of incorporation	Principal activity	Class and percentage of shares held	Holding
Proactis Limited ^a	England and Wales	Software sales and development	Ordinary 100%	Direct
Alito Limited ^a	England and Wales	Dormant	Ordinary 100%	Direct
Proactis Inc ^c	USA	Software sales	Ordinary 100%	Indirect
Proactis Pty Limited ^a	Australia	Software sales	Ordinary 100%	Indirect
Proactis Overseas Limited ^a	England and Wales	Intermediate holding company	Ordinary 100%	Direct
Proactis Accelerated Payments Limited ^a	England and Wales	Dormant	Ordinary 100%	Indirect
PHD Developing Markets Limited ^f	Mauritius	Liquidated	Ordinary 100%	Indirect
EGS Group Limited ^a	England and Wales	Dormant	Ordinary 100%	Indirect
EGS Group Holdings Limited ^a	England and Wales	Dormant	Ordinary 100%	Indirect
Proactis US Holdings Inc ^c	USA	Intermediate holding company	Ordinary 100%	Indirect
Intesource Inc ^c	USA	Managed services	Ordinary 100%	Indirect
Intelligent Capture Limited ^a	England and Wales	Dormant	Ordinary 100%	Direct
Intelligent Capture Managed Services Limited ^a	England and Wales	Dormant	Ordinary 100%	Indirect
Due North Limited ^a	England and Wales	Dormant	Ordinary 100%	Direct
Proactis Tenders Limited ^b	Scotland	Managed services and software sales	Ordinary 100%	Direct
Proactis France SAS ^d	France	Software sales	Ordinary 100%	Indirect
Proactis SA ^d	France	Software sales and development	Ordinary 88.51%	Indirect
Proactis Designated Activity Company (DAC) ⁱ	Ireland	Managed services	Ordinary 88.51%	Indirect
Proactis GmbH ^l	Germany	Managed services and software sales	Ordinary 88.51%	Indirect
Proactis Deutschland GmbH ^l	Germany	Software sales	Ordinary 100%	Indirect
Proactis SA ^k	Belgium	Software sales	Ordinary 88.51%	Indirect
InterSources (UK) Limited ^a	England and Wales	Dormant	Ordinary 88.51%	Indirect
Trade Ranger US Inc. ^c	USA	Intermediate holding company	Ordinary 88.51%	Indirect
Hubwoo USA, Inc. ^c	USA	Intermediate holding company	Ordinary 88.51%	Indirect
Trade-Ranger Management, LLC ^c	USA	Intermediate holding company	Ordinary 88.51%	Indirect
Trade-Ranger Holdings, LLC ^c	USA	Intermediate holding company	Ordinary 88.51%	Indirect
Proactis LP ^c	USA	Software sales and development	Ordinary 88.51%	Indirect
Proactis Southeast Asia Limited ^m	New Zealand	Intermediate holding company	Ordinary 100%	Indirect
Proactis Limited ^m	New Zealand	Software sales	Ordinary 100%	Indirect
Proactis Euro Hedgeco Limited ^a	England and Wales	Intermediate holding company	Ordinary 100%	Indirect
Proactis US Dollar Hedgeco Limited ^a	England and Wales	Intermediate holding company	Ordinary 100%	Indirect
Perfect Commerce, LLC ⁿ	USA	Software sales and development	Ordinary 100%	Indirect
Commerce One, LLC ⁿ	USA	Software sales	Ordinary 100%	Indirect
Perfect Commerce Operations, Inc ⁿ	USA	Software sales	Ordinary 100%	Indirect
Perfect Commerce Global Purchasing, LLC ⁿ	USA	Managed services	Ordinary 100%	Indirect
Compro Business Services, LLC ⁿ	USA	Managed services	Ordinary 49%*	Indirect
Perfect Commerce UK Limited ^a	England and Wales	Dormant	Ordinary 100%	Direct
Esize Holding BV ^g	Netherlands	Intermediate holding company	Ordinary 100%	Direct
Proactis BV ^g	Netherlands	Software sales	Ordinary 100%	Indirect

Notes to the Company Balance Sheet *(continued)*

33 Investments *(continued)*

Proactis US Dollar Hedgeco Limited, Proactis Pty Limited, PHD Developing Markets Limited, Proactis Euro Hedgeco Limited, Proactis Southeast Asia Limited and Proactis France SAS are subsidiaries of Proactis Overseas Limited. Proactis US Holdings Inc is a subsidiary of Proactis US Dollar Hedgeco Limited. Proactis Inc, Perfect Commerce LLC and Intesource Inc are subsidiaries of Proactis US Holdings Inc. Commerce One LLC, Perfect Commerce Operations Inc, Perfect Commerce Global Purchasing LLC and Compro Business Services LLC are subsidiaries of Perfect Commerce LLC. Proactis Limited (NZ) is a subsidiary of both Proactis Overseas Limited and Proactis Southeast Asia Limited. Proactis SA (France) and Proactis Deutschland GmbH are subsidiaries of Proactis Euro Hedgeco Limited. Proactis DAC, Proactis SA (Belgium) and Trade Ranger US Inc are subsidiaries of Proactis SA (France). Proactis GmbH is a subsidiary of Proactis DAC. InterSources (UK) Limited is a subsidiary of Proactis SA (Belgium). Hubwoo USA Inc, Trade-Ranger Management LLC and Trade-Ranger Holdings LLC are subsidiaries of Trade Ranger US Inc. Proactis LP is a subsidiary of Trade-ranger Holdings LLC. Intelligent Capture Managed Services Limited is a subsidiary of Intelligent Capture Limited. EGS Group Holdings Limited and Proactis Accelerated Payments Limited are subsidiaries of Proactis Limited (UK). EGS Group Limited is a subsidiary of EGS Group Holdings Limited. Proactis BV is a subsidiary of Esize Holding BV.

Registered offices of entities are as noted

^a Riverview Court, Castlegate, Wetherby, LS22 6LE England

^b AB1 Building, 48 Huntly Street, Aberdeen, AB10 1SH Scotland

^c 2111 East Highland Avenue, Suite B-375, Phoenix, AZ 85016 USA

^d 26-28 Quai Gallieni, 92150 Suresnes, France

^e Level 9, 123 Albert Street, Brisbane, QLD 4000 Australia

^f c/o Eстера Management (Mauritius) Limited, 6th Floor, Tower A, 1 CyberCity, Ebene 72201, Mauritius

^g Leeuwenveldseweg 16 A, 1382LX, Weesp, The Netherlands

ⁱ 6th Floor, South Bank House, Barrow Street, Dublin 4 Ireland

^j Bruher Strasse 9, 53119 Bonn Germany

^k Avenue Henri Jaspar 117, Boite 3, 1060 saint-Gilles, Belgium

^m Level 1, Australis Nathan Building, 37 Galway Street, Takutai Square, Auckland, 1010, New Zealand

ⁿ One Compass Way, Suite 120, Newport News, VA, 23606, USA

* Although the Group owns 49% of the entity, it does in fact have effective control over the entity. The subsidiary is therefore accounted for under the consolidation method.

Notes to the Company Balance Sheet *(continued)*

33 Investments *(continued)*

Investment impairment testing

Impairment testing is performed by comparing the carrying value of those assets within each investment to the recoverable amount, determined on the basis of the investment's value in use. The value in use is based on the net present value of future cash flow projections discounted at pre-tax rates appropriate for each Cash Generating Unit ("CGU"). The CGUs have been allocated against the appropriate investment for the purposes of impairment testing.

The value-in-use calculations are based upon detailed budgets and forecasts prepared over a four-year period, followed by an extrapolation into perpetuity for the terminal value of expected cash flows at growth rates given below, discounted at the rates provided below. Growth rates used reflect the best estimates of the long-term growth rate for each CGU. The discount rates reflect the different risk profiles the directors attach to each income stream and CGU.

Key assumptions used in the value-in-use calculations are as follows:	2021	2020
	%	%
Long term growth rate	2.00	2.00
Discount rate (pre-tax rate) UK CGU	10.77	10.50
Discount rate (pre-tax rate) NL CGU	11.65	10.62
Discount rate (pre-tax rate) US CGU	11.24	10.45
Discount rate (pre-tax rate) FR CGU	9.40	9.20
Discount rate (pre-tax rate) DE CGU	13.85	11.87
Discount rate (pre-tax rate) Global Transactions CGU	10.95	9.66
Discount rate (pre-tax rate) Proactis Tenders CGU	11.51	10.49
Discount rate (pre-tax rate) bePayd CGU	11.43	10.54
Budgeted overall revenue growth rate (average of next 4 years) ¹	7.68	9.79
Budgeted staff costs growth rate (average of next 4 years)	1.30	1.90

¹The budgeted average revenue growth rates range from around 1% in the most established CGUs to in the region of 39% in the smaller expanding CGUs, which are growing from a lower base.

The value-in-use calculations performed at 31 July 2021 were prepared based on management's best estimates of future performance, taking into account market conditions and the historic performance of each CGU. Due to dividends received in the year and in prior years, it was necessary for an impairment to be recognised in Proactis Tenders Limited as the value in the entity has been passed up to Proactis Holdings Limited. An impairment of £636,000 was recognised for the Proactis Tenders Limited investment.

Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount in the Esize Holding BV investment. An increase of 2.9% in the discount rate or a 6.5% reduction in initial revenue growth would remove the headroom in the Esize Holdings BV investment.

Management does not believe a reasonable possible change in key assumptions would erode the headroom in the investment in Proactis Limited or Proactis Overseas Limited.

Notes to the Company Balance Sheet *(continued)*

34 Debtors: Amounts due after more than one year

	2021	2020
	£000	£000
Amounts owed by subsidiary undertakings	6,900	3,200
	6,900	3,200
	6,900	3,200

Amounts owed by subsidiary undertakings are interest free and repayable on demand. However, the directors do not expect to recall the amounts due within 12 months.

35 Debtors: Amounts due within one year

	2021	2020
	£000	£000
Prepayments and contract assets	762	243
Income taxes	87	350
Amounts owed by parent company	2,635	-
Amounts owed by subsidiary undertakings	7,285	9,568
	10,769	10,161
	10,769	10,161

Amounts owed by subsidiary undertakings are interest free and repayable on demand.

36 Creditors: Amounts falling due within one year

	2021	2020
	£000	£000
Bank loans	41,890	936
Convertible loan notes	6,006	-
Trade creditors	1,552	397
Accruals and contract liabilities	1,181	255
Amounts owed to subsidiary undertakings	6,368	6,942
Other taxes and social security	462	537
Other creditors	2,635	-
	60,094	9,067
	60,094	9,067

Amounts owed to subsidiary undertakings are interest free and repayable on demand.

37 Creditors: Amounts falling due after more than one year

	2021	2020
	£000	£000
Bank loans	-	41,744
Convertible loan notes	-	6,073
	-	47,817
	-	47,817

Bank loans are repayable as follows:

	£000	£000
Within one year	41,890	936
Between one and two years	-	2,942
Between two and five years	-	38,802
	41,890	42,680
	41,890	42,680

Terms of the loans are disclosed in Note 18.

Notes to the Company Balance Sheet *(continued)*

38 Share capital

	2021	2020
	£000	£000
Allotted, called up and fully paid		
- 95,532,628 ordinary shares of 10p each (2020: 95,532,628)	9,553	9,553
Allotted, called up and not paid		
- 4,288,735 ordinary shares of 10p each (2020: 0)	429	-
	9,982	9,553

The Group made one share issue in July 2021 of 4,288,735 ordinary shares of 10p each at a weighted average price of 12.5p per share pursuant to the exercising of options by past and present employees or directors. The shares were paid on the following payroll date for each individual involved which occurred during the month of August. The settlement of the exercise price of these shares took the form of a deduction from the share sale proceeds which occurred in August 2021.

39 Reserves

	Share premium account £000	Capital reserve £000	Profit and loss account £000
At 31 July 2020	-	449	27,524
Shares options exercised	106	-	-
Loss for the period	-	-	(1,418)
Share based payment charges (see Note 4)	-	-	2,152
At 31 July 2021	106	449	28,258

Share premium

The Group has issued 4,288,735 (2020: 313,832) ordinary shares of 10p each during the year at a weighted average price of 12.5p (2020: 56.4p) per share, creating a share premium of £106,000 (2020: £146,000). Costs totalling £Nil (2020: £Nil) were offset against the share premium. The share premium as at 31 July 2021 is £106,000 (2020: £Nil).

Capital reserve

The capital reserve arose on issue of share options as part of the deferred contingent consideration for the purchase of Alito (UK) Limited. The reserve is not distributable.

40 Commitments

There were no capital commitments existing at 31 July 2021 or 31 July 2020.

41 Contingent liabilities

The Company has guaranteed the overdrafts of its subsidiaries, the amount outstanding at 31 July 2021 was £Nil (2020: £Nil).

42 Post balance sheet events

There are no significant or disclosable post balance sheet events other than those already referenced in note 29.

Additional Information – Unaudited

Reconciliation of alternative performance measures:

	Reported EBITDA	Adjusted EBITDA	Adjusted operating profit	Adjusted profit before tax
	£000	£000	£000	£000
Loss after tax	(8,061)	(8,061)	(8,061)	(8,061)
Add back:				
Tax credit (Note 8)	(508)	(508)	(508)	(508)
Net interest charge (Notes 6&7)	1,522	1,522	1,522	-
Share-based payment charges (Note 4)	2,152	2,152	2,152	2,152
Amortisation (Note 10)	11,339	11,339	-	-
Depreciation (Note 9)	1,784	1,784	-	-
Non-core net expenditure (below)	-	4,586	4,586	4,586
Interest charged on convertible loan notes issued in respect of the acquisitions of Perfect Commerce and Esize (Note 18)	-	-	-	293
Fair value and foreign currency impacts on convertible loan notes (Note 18)	-	-	-	(199)
Amortisation charged on customer-related intangible assets (Note 10)	-	-	3,479	3,479
	<u>8,228</u>	<u>12,814</u>	<u>3,170</u>	<u>1,742</u>

Management has presented the performance measure adjusted EBITDA because it monitors this performance measure at a consolidated level and it believes that this measure is relevant to an understanding of the Group's financial performance. Adjusted EBITDA is calculated by adjusting profit before taxation to exclude the impact of net finance costs, depreciation, amortisation, share-based payment charges and non-core net expenditure.

Adjusted EBITDA is not a defined performance measure in IFRS. The Group's definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

	2021 £000	2020 £000
Loss before taxation	(8,569)	(19,340)
Adjustments for:		
Net finance costs	1,522	974
Depreciation	1,784	1,642
Amortisation	11,339	10,664
Impairment of goodwill and intangible assets	-	14,813
Share-based payment charges *	2,152	247
Non-core net expenditure **: <ul style="list-style-type: none"> Costs of restructuring the Group's operations – staff *** Costs of restructuring the Group's operations – other **** Net loss related to assets held for sale (Note 22) Expenses of acquisition-related activities Legal and professional fees Non-core foreign exchange impacts ***** 	1,977 80 238 2,006 317 (32)	901 142 405 - 698 698
Adjusted EBITDA	<u>12,814</u>	<u>11,844</u>

Additional Information – Unaudited *(continued)*

* Share-based payments expense has been excluded to enable readers to better understand the underlying trade

** Non-core net expenditure includes significant items of income or expenditure associated primarily with the Group's acquisition activity and the restructuring programmes (together, "non-core-net expenditure").

*** Costs of restructuring the Group's operations – staff includes the salary costs of certain staff members in management position who were made redundant during the year. Management do not consider these costs as recurring.

**** Costs of restructuring the Group's operations – other includes the cost of dual running offices during transition and the cost of running offices prior to closure that are considered not to recur next year.

***** Non-core foreign exchange impacts relate specifically to the FX impact in the Income Statement of other items of non-core expenditure and is included as such to be consistent.

Glossary

	Definition	Explanation for use	Reconciliation to IFRS measures	Explanation of any change	
				New or existing APM	Basis of calculation
Adjusted EBITDA	Earnings before interest, tax depreciation, amortisation and share based payments excluding significant items of income or expenditure associated primarily with the Group's acquisition activity and the resultant restructuring programmes	The rationale for the inclusion of these APMs is to provide users of the accounts, including but not limited to investors and analysts, with information designed to assist them in understanding the performance of the business when adjusting for items	See table above	Existing	No change
Adjusted operating profit	Operating profit excluding significant items of income or expenditure associated primarily with the Group's acquisition activity and the resultant restructuring programmes	of income or expenditure that are either significant and/or non-recurring. As these items are reported within various statutory captions, it is necessary to provide adjusted measures at each of the statutory caption levels.	See table above	Existing	No change
Adjusted PBT	Profit before tax excluding significant items of income or expenditure associated primarily with the Group's acquisition activity and the resultant restructuring programmes		See table above	Existing	No change
Adjusted Free Cash Flow	Net cash flow from operating activities excluding significant items of income or expenditure associated primarily with the Group's acquisition activity and the resultant restructuring programmes less reported purchase of plant and equipment and development expenditure capitalised		See Strategic Report	Existing	No change
Non-core net expenditure	Significant items of income or expenditure associated primarily with the Group's acquisition activity and the restructuring programmes	The Group incurs significant items of income or expenditure as part of its acquisition activity and restructuring programmes which does not form part of the core income or expenditure of the associated businesses. It is necessary to report the results of the associated businesses by reporting the non-core net expenditure separately	Not applicable, see Strategic Report	Existing	No change

Glossary (continued)

Cost savings	Cost savings resulting from the restructuring programme arising from the acquisition of Perfect	As part of the acquisition of Perfect, the Group identified potential cost savings that might arise as a result of the integration plan and restructuring programme. These potential cost savings formed a substantial part of the rationale for the business combination from an investor perspective and it is necessary to report the Group's progress against that measure	Not applicable, see Strategic Report	Existing	No change
Total Contract Value ("TCV")	The aggregate value of contracts signed for additional functionality or significant service packages with new or existing customers during the year, specifically excluding renewals of contracts for existing functionality	This is a key performance indicator of the business as it indicates the performance of the Group's marketing and sales capacity and the relevance of its products within its markets. The analysis of TCV between that signed with new customers versus that signed with existing customers is also additive and informative information	Not applicable	Existing	No change
TCV of new name deals	The aggregate value of contracts signed for additional functionality or significant service packages with new customers during the year, specifically excluding renewals of contracts for existing functionality		Not applicable	Existing	No change
TCV of upsell deals	The aggregate value of contracts signed for additional functionality or significant service packages with existing customers during the year, specifically excluding renewals of contracts for existing functionality		Not applicable	Existing	No change
CAGR three-year revenue growth	The compound annual growth rate of revenue over a three-year period	This measure gives users a longer term view on the performance of the Group against its long term objective of creating a Group of scale	Not applicable	Existing	No change
ARR	The Group's estimate of the annualised run rate of subscription, managed service, support and hosting revenues contracted with the Group. It relates to the value of revenue recognised at a point in time, that relates to services which will be provided on a recurring basis in future years, prior to the impact of customer attrition.	This measure enables users to understand the level of cover that the Group has for revenue in future periods	Not applicable	Existing	No change
Gross margin	Revenue less cost of sale, divided by revenue	This measure enables users to understand the non-discretionary costs that are necessarily incurred in the delivery of its revenue	Revenue £49,571,000 Cost of sale (£5,339,000) Gross profit £44,232,000 Gross margin 89.2%	Existing	No change