Grant Thornton

Financial Statements

Portrait Software International Limited

For the financial year ended 31 December 2019

Registered number: 01980596

Company Information

Directors	Gerard Richard Willsher (resigned 2 December 2019) Simon John Alderson (appointed 22 February 2019, resigned 2 December 2019) James Benjamin Buckley (resigned 22 February 2019) Joseph David Rogers (appointed 2 December 2019)
Company secretary	Gerard Richard Willsher (resigned 2 December 2019)
Registered number	01980596
Registered office	3rd Floor, The Pinnacle 20 Tudor Road Reading Berkshire RG1 1NH
Independent auditor	Grant Thornton Chartered Accountants & Statutory Auditors City Quay Dublin 2
Bankers	JP Morgan Chase Bank, N.A. 25 Bank Street London E14 5JP

Portrait Software International Limited

Contents

Strategic report

For the financial year ended 31 December 2019

The director is pleased to present the Strategic Report for the Company for the year ended 31 December 2019.

Principal activities

The principal activities of the Company are the provision of information technology solutions, based on a core product set, concentrating on specialist computer software design, systems integration and systems support.

Business review

Turnover for the financial year was £3,229k (2018: £4,263k). The operating loss for the financial year was £2,865k (2018: £1,248k) and profit before taxation was £2,112k (2018: loss £1,285k). The net liabilities position at the year end was £1,523k (2018: £3,426k).

Both the level of business and the year end financial position are satisfactory. Post year end, the director plans to integrate the Portrait suite of products within the Syncsort Group and leverage synergy sales.

On 2 December 2019, Starfish Holdco LLC acquired the Software and Data business, which includes the Company, of Pitney Bowes Group for consideration of $708m. After the acquisition, Starfish Holdco LLC becomes its ultimate parent company.

Principal risks and uncertainties

The director considers that the principal risks and uncertainties faced by the Company are in the following categories:

Competition

The business competes with a number of companies, the competitors ranging from large multinationals to smaller more narrowly focused regional, and local firms. The Company must continue to invest in its technologies, products and solutions, and in the development of new technologies, products and solutions in order to maintain and improve its competitive position.

Postal regulations and processes

A significant portion of revenue and profitability is directly or indirectly subject to regulation and oversight by postal authorities. The Company depends on a health postal sector which could be influenced, positively or negatively, by legislative or regulatory changes.

Lower profit margins

As the business transforms to more digital and commerce services, the profit margins will be lower and, if the costs cannot be reduced, the earnings could be impacted. The director expects overall profit margins to continue to be impacted as a result of a change of mix from higher margin Small and Medium Business Solutions to Digital Commerce Solutions.

Customs and regulatory risks

The international nature of Global E-commerce business subjects the Company to increased customs and regulatory risks from cross-border transactions, and fluctuations in foreign currency exchange rates.

Strategic report (continued)

For the financial year ended 31 December 2019

Principal risks and uncertainties (continued)

Brexit

On 24 December 2020, negotiators from the European Union (EU) and the United Kingdom (UK) reached an agreement on a new partnership. This agreement sets out the rules that apply between the EU and the UK. On 1 January 2021, the provisional application of the agreement took effect and will be effective until 28 February 2021.

Depending on EU's council decision on the signature and provisional application, and on the conclusion of the Agreement, it is not possible at this point in time to predict fully the effects of Brexit, it could have a material effect on the Company's business, financial condition and results of operations.

Interest rate risk

The Company has no external debt and cash balances are held in interest bearing accounts. The interest rates of finance leases to which the Company is a lessee are fixed at inception of the lease. These leases exposed the Company to fair value interest rate risk.

The Company's cash flow interest rate risk arises from cash deposits. Deposits placed at variable rates expose the Company to cash flow interest rate risk. The Company's cash equivalents are held at floating interest rates.

Currency exposures

The Company operates internationally and is exposed to foreign exchange risk from various currency exposures, primarily with respect to the Euro, the US Dollar and the Australian Dollar. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. There were no hedging transactions in place at 31 December 2019 (2018: none).

Liquidity risk

The director is confident that available funds are in place for existing operations as Starfish Holdco LLC has stated that it intends to provide adequate financial support to enable the Company to meet its financial obligations as they fall due for a period of at least twelve months from the date of signing these financial statements.

Credit risks

Financial instruments which potentially expose the Company to a concentration of credit risk, comprise primarily of cash equivalents and debtors. Cash equivalents are deposited with high credit quality financial institutions. The Company provides credit to customers in the normal course of business. Collateral is not required from those debtors, but ongoing credit evaluations of customer's financial conditions are performed. The Company maintains a provision for impairment based upon the expected collectability of debtors. The Company sells products and services to a wide range of customers around the world and, therefore, believes there is no material concentration of credit risk.

Financial key performance indicators

Key performance indicators used by management include the following:

	2019	2018
	£000	£000
Turnover	3,229	4,263
Operating loss	(2,865)	(1,248)

Strategic report (continued)
For the financial year ended 31 December 2019

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

....
Joseph David Rogers
Director

Date: January 27, 2021

Director's report

For the financial year ended 31 December 2019

The director presents the annual report and the audited financial statements for the financial year ended 31 December 2019.

Results and dividends

The profit for the financial year, after taxation, amounted to £1,903k (2018: loss £1,287k).

The director made a dividend payment during the year amounting to £NIL (2018: £NIL).

Directors

The directors who served during the financial year were:

Gerard Richard Willsher (resigned 2 December 2019)
Simon John Alderson (appointed 22 February 2019, resigned 2 December 2019)
James Benjamin Buckley (resigned 22 February 2019)
Joseph David Rogers (appointed 2 December 2019)

Financial instruments

Objectives and policies

The Company's financial statements comprise cash and various items such as debtors and creditors that arise directly from its operations. All financial assets and liabilities are recorded at historical cost. It is, and has been throughout the year under review, the company's policy that no trading in financial instruments shall be undertaken. Similarly, the company did not undertake any financial hedging arrangements during the year under review. The year end position reflects these policies and there have been no changes in policies or risks since the year end. The main risks arising from the company's financial instruments are liquidity risks and interest rate risks.

Research and development activities

The Company continues to invest in the development of software products and constantly monitor customer requirements and aspirations. The director regards the investments in research and developments as integral to the success of the business.

Going concern

The director believes in the Company's ability to continue as a going concern and Starfish Holdco LLC has stated that it intends to provide adequate financial support to enable the company to meet its financial obligations as they fall due for a period of at least twelve months from the date of signing these financial statements.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Director's report is approved has confirmed that:

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

Director's report (continued)

For the financial year ended 31 December 2019

Post balance sheet events

On January 30, 2020, the World Health Organization declared the recent coronavirus disease 2019 ("COVID-19") outbreak a global health emergency and was elevated to "pandemic" status on March 11, 2020. Following these events, numerous jurisdictions issued shelter in place orders requesting or requiring residents to remain at home. The Company can experience increased risk of loss any time unforeseen infectious diseases impact large portions of certain populations. Specifically, the Company's business could experience losses resulting from COVID-19 related impacts as a result of complete or partial closure of the Company's facilities, labour shortages, disruptions in public and private infrastructure, increased cybersecurity risk as well as unforeseen perils. Management is taking actions it considers prudent to minimize the impact on the Company's operations. However, given the ongoing uncertainty surrounding the duration, magnitude and geographic reach of COVID-19, the Company continues to evaluate the impact of COVID-19 on its business and operations.

Certain assets and liabilities of Portrait Software International Limited and Pitney Bowes Software Europe Limited were transferred to Confirm Solutions Limited, a new legal entity established on 26 August 2020, with Pitney Bowes Software Holdings Limited, as immediate parent company. On 20 November 2020, Syncsort Inc., Portrait Software International Limited's immediate parent company, signed a stock purchase agreement, with effective date of 1 November 2020, to sell Confirm Solutions Limited to Dude Solutions, Inc., a Delaware Corporation registered in the USA, for a purchase price of $94m.

There have been no other significant events affecting the Company since the financial year end and the director does not envisage any substantial changes to the nature of the business in the foreseeable future.

Auditor

The auditor, Grant Thornton, was appointed subsequent to the year-end and has indicated their willingness to continue in office in accordance with section 485 of the Companies Act 2006.

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

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Joseph David Rogers
Director

Date: January 27, 2021

Director's responsibilities statement

For the financial year ended 31 December 2019

The director is responsible for preparing the Strategic report, the Director's report and the audited financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare audited financial statements for each financial year. Under that law the director has elected to prepare the audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the director must not approve the audited financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these audited financial statements, the director is required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The director is 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 to 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.

On behalf of the board:

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Joseph David Rogers
Director

Date: January 27, 2021

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Independent auditor's report to the members of Portrait Software International Limited

Opinion

We have audited the financial statements of Portrait Software International Limited which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity for the financial year ended 31 December 2019, and the related 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, Portrait Software International Limited's financial statements:

- give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the financial position of the Company as at 31 December 2019 and of its financial performance for the financial year then ended; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs') and applicable law. Our responsibilities under those standards are further described in the 'responsibilities of the auditor for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, namely FRC's Ethical Standard concerning the integrity, objectivity and independence of the auditor. We have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other matter

The financial statements of the Company for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 29 November 2019.

Grant Thornton

Independent auditor's report to the members of Portrait Software International Limited (continued)

Other information

Other information comprises the information included in the annual report, other than the financial statements and our Auditor's report thereon, including the Director's Report and the Strategic Report. The director is responsible for the other information. Our opinion on the financial statements does not cover the information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies in the financial statements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Director's report has been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment we have obtained in the course of the audit, we have not identified material misstatements in the Director's Report and the Strategic 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Grant Thornton

Independent auditor's report to the members of Portrait Software International Limited (continued)

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS102 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, management is responsible for assessing the 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 management either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the auditor for the audit of the financial statements

The objectives of an auditor 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 their 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.

As part of an audit in accordance with ISAs (UK), the auditor will exercise professional judgment and maintain professional scepticism throughout the audit. They will also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Grant Thornton

Independent auditor's report to the members of Portrait Software International Limited (continued)

Responsibilities of the auditor for the audit of the financial statements (continued)

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If they conclude that a material uncertainty exists, they are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify their opinion. Their conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

The auditor shall communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that may be identified during the audit.

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

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

Michael Shelley (Senior statutory auditor)
for and on behalf of
Grant Thornton
Chartered Accountants &
Statutory Auditors
Dublin 2

Date: 27 January 2021

Statement of comprehensive income

For the financial year ended 31 December 2019

	Note	2019 £000	2018 £000
Turnover	5	**3,229**	4,263
Cost of sales		**(1,804)**	(2,266)
Gross profit		**1,425**	1,997
Administrative expenses		**(3,815)**	(4,090)
Exceptional administrative expenses	4	**(1,570)**	-
Other operating income	6	**1,095**	845
Operating loss	7	**(2,865)**	(1,248)
Income from shares in group undertakings		**4,997**	-
Interest receivable and similar income		**1**	-
Interest payable and expenses		**(21)**	(37)
Profit/(loss) before tax		**2,112**	(1,285)
Tax on profit/(loss)	9	**(209)**	(2)
Profit/(loss) for the financial year		**1,903**	(1,287)

There was no other comprehensive income for 2019 (2018: £Nil).

All amounts relate to continuing operations.

The notes on pages 14 to 31 form part of these financial statements.

Portrait Software International Limited

Registered number:01980596

Statement of financial position

As at 31 December 2019

	Note		2019 £000		2018 £000
Fixed assets					
Intangible assets	10		**251**		481
Tangible assets	11		**-**		26
Investments	12		**1,213**		1,330
			1,464		1,837
Current assets					
Debtors: amounts falling due within one year	13	**2,105**		6,005	
Cash at bank and in hand	14	**835**		613	
		2,940		6,618	
Current liabilities					
Creditors: amounts falling due within one year	15	**(5,089)**		(10,642)	
Net current liabilities			**(2,149)**		(4,024)
Total assets less current liabilities			**(685)**		(2,187)
Creditors: amounts falling due after more than one year	16		**(838)**		-
Other provision	17		**-**		(1,239)
Net liabilities			**(1,523)**		(3,426)
Capital and reserves					
Called up share capital	18		**1**		1
Capital redemption reserve	19		**1**		1
Other reserves	19		**820**		820
Profit and loss account	19		**(2,345)**		(4,248)
Shareholders' deficit			**(1,523)**		(3,426)

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

....

Joseph David Rogers
Director

Date: January 27, 2021

The notes on pages 14 to 31 form part of these financial statements.

Statement of changes in equity
For the financial year ended 31 December 2019

	Called up share capital	Capital redemption reserve	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2019	1	1	820	(4,248)	(3,426)
Comprehensive income for the financial year					
Profit for the financial year	-	-	-	1,903	1,903
At 31 December 2019	1	1	820	(2,345)	(1,523)

Statement of changes in equity
For the financial year ended 31 December 2018

	Called up share capital	Capital redemption reserve	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2018	1	1	820	(2,961)	(2,139)
Comprehensive income for the financial year					
Loss for the financial year	-	-	-	(1,287)	(1,287)
At 31 December 2018	1	1	820	(4,248)	(3,426)

The notes on pages 14 to 31 form part of these financial statements.

Notes to the financial statements

For the financial year ended 31 December 2019

1. General information

The Company is a private company, limited by share capital, incorporated in United Kingdom. The address of its registered office is 3rd Floor, The Pinnacle, 20 Tudor Road, Reading, Berkshire, RG1 1NH. The Company is tax resident in United Kingdom.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Summary of disclosure exemptions

The Company has taken advantage of the following disclosures exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and consent has been obtained from the shareholders in order to take these exemptions:

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b), and 12.29A, as the information is provided in the consolidated disclosures; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Portrait Software Limited. Copies of the consolidated financial statements of Portrait Software Limited are available from Crown Way, Cardiff, CF14 3UZ.

2.3 Going concern

The financial statements have been prepared on a going concern basis. The director believes in the Company's ability to continue as a going concern and Starfish Holdco LLC has stated that it intends to provide adequate financial support to enable the Company to meet its financial obligations as they fall due for a period of at least twelve months from the date of signing these financial statements.

Notes to the financial statements

For the financial year ended 31 December 2019

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.5 Turnover

The Company generates revenues from software licenses, post-contract customer support ("PCS" or "maintenance"), software-as-a-service ("SaaS") and maintenance services. The Company licences various software products on either a perpetual basis of for a time-based period for terms ranging from one to five years ("subscriptions"). Subscriptions include co-terminous maintenance and perpetual licences are typically sold with maintenance for a period of one to three years with optional annual renewals thereafter. Software licence and maintenance bundles are typically sold for a fixed price.

For all but a small subgroup of software licence products, licences are a separate performance obligation that the customer obtains control of at a point in time when it becomes available to the customer. Maintenance is a series of services transferred over time and fulfilled ratably over the contract term.

For SaaS contracts, the Company has identified a single performance obligation that is a series of services satisfied ratably over the contract term.

The Company also offers professional services, primarily on a time and materials basis to customers. These professional services relate to implementation assistance, managing customers' IT departments, and training services. Services are performance obligations satisfied over time, and are recognised as revenue using input-based method such as labour hours or costs incurred.

Notes to the financial statements
For the financial year ended 31 December 2019

2. Accounting policies (continued)

2.6 Operating leases: the Company as lessor

Rentals income from operating leases is credited to profit or loss on a straight line basis over the term of the relevant lease.

Amounts paid and payable as an incentive to sign an operating lease are recognised as a reduction to income over the lease term on a straight line basis, unless another systematic basis is representative of the time pattern over which the lessor's benefit from the leased asset is diminished.

2.7 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.8 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.9 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.10 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Notes to the financial statements

For the financial year ended 31 December 2019

2. Accounting policies (continued)

2.11 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.12 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.13 Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date. Goodwill is amortised over its useful life, which shall not exceed ten years if reliable estimate of the useful life cannot be made.

Goodwill is amortised on a straight line basis over its estimated useful life of 10 years.

Notes to the financial statements

For the financial year ended 31 December 2019

2. Accounting policies (continued)

2.14 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2.15 Intangible assets

Other intangible assets represent project development costs and expenditure on internal development is capitalised only when if the costs can be measured reliably, the product or output is technically feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete and to use or sell the asset. Otherwise it is recognised in profit and loss when incurred.

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Internally generated software development costs	-	3	years from the date they are available for use
Trademarks, patents and licences	-	5	years from the date they are available for use

2.16 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Leasehold improvements	-	2%
Fixtures, fittings and computer equipment	-	10%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.17 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Notes to the financial statements
For the financial year ended 31 December 2019

2. Accounting policies (continued)

2.18 Impairment of assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.19 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, including transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.20 Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and may include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

2.21 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, including transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.22 Provison of liabilities

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

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

Notes to the financial statements
For the financial year ended 31 December 2019

2. Accounting policies (continued)

2.23 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

In the application of the company's accounting policies, the director is required to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgments (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

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

Key sources of estimation uncertainty

The estimate and assumptions which have a significant risk of causing a material adjustments to the carrying amount of assets and liabilities are as follows:

Notes to the financial statements

For the financial year ended 31 December 2019

3. Judgments in applying accounting policies (continued)

Revenue recognition in respect of multiple elements

The accounting policy for revenue recognition has an impact on our reported results and relies on certain estimates that require judgments on the part of management.

Revenue from software arrangements involving elements is allocated to each element based on the vendor-specific objective evidence of fair values of the respective elements. For software sales with multiple elements (for example, software licences with undelivered post-contract customer support or "PCS"), revenue is allocated to each component of the arrangement using the residual value method based on the fair value of the undelivered elements. The fair value of PCS is based upon separate sales of renewals to other clients. The fair value of services, such as training and consulting, is based upon separate sales of these services to other clients. This means we defer revenue from the contract equal to the fair value of the maintenance element.

Impairment of non-financial assets

Where there are indicators of impairment of individual assets, the Company performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available date from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Development expenditure

Initial capitalisation of costs is based on management's judgment that technical and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Operating lease commitments

The Company has enters into commercial property leases as a lessor on its investment property portfolio and as a lessee it obtains use of property, plant and equipment. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

Allowances for impairment of trade receivables

The Company estimates the allowance for doubtful trade receivables based on assessment of specific accounts where the Company has objective evidence comprising default in payment terms or significant financial difficulty that certain customers are unable to meet their financial obligations. In these cases, judgment used was based on the best available facts and circumstances including but not limited to, the length of relationship. Management are satisfied that the provision for doubtful debtors at year end is sufficient.

Recognition of provision

The provision represents the Company's commitments that are not expected to generate future economic benefit which includes the leases for property and other operating assets. Amount estimated represents the costs of settling these commitments and is based on the agreements.

Notes to the financial statements

For the financial year ended 31 December 2019

4. Exceptional items

	2019 £000	2018 £000
Intercompany balance write-off	**1,453**	-
Impairment loss on investment	**117**	-

5. Turnover

An analysis of turnover by class of business is as follows:

	2019 £000	2018 £000
Licence and maintenance revenue	**911**	1,605
Professional services revenue	**2,042**	2,336
Royalty revenue	**276**	322
	3,229	4,263

	2019 £000	2018 £000
United Kingdom	**2,621**	3,141
Rest of Europe	**444**	904
Rest of the world	**164**	218
	3,229	4,263

6. Other operating income

	2019 £000	2018 £000
Sub lease rental income	**1,095**	845

Notes to the financial statements

For the financial year ended 31 December 2019

7. Operating loss

The operating loss is stated after charging/(crediting):

	2019	2018
	£000	£000
Depreciation	**22**	84
Exchange differences	**(46)**	58
Rent - operating leases	**618**	647
Amortisation	**272**	461
Auditor's remuneration	**27**	36

The intercompany balance write- off pertains to principal loan amounts and all accrued and unpaid interest with Pitney Bowes Inc. and other entities within the Pitney group. As a result of the acquisition, Pitney Bowes Inc. and the company agreed to signed a deed of release agreement to waive the payment of these loans receivable in 2019.

8. Employees

	2019	2018
	£000	£000
Wages and salaries	**3,672**	3,083
Social security costs	**403**	292
Redundancy costs	**21**	220
Pension costs, defined contribution scheme	**154**	111
	4,250	3,706

The average monthly number of employees, including the director, during the financial year was as follows:

	2019	2018
	No.	No.
Administration and support	**2**	1
Research and development	**35**	41
Sales	**6**	9
	43	51

Director is US based and is not paid by the Company, he is paid by Syncsort Inc.

Notes to the financial statements

For the financial year ended 31 December 2019

9. Taxation

	2019 £000	2018 £000
Corporation tax		
Current tax on profits/(loss) for the year	**209**	2
Total current tax	**209**	2
Taxation on profit/(loss) on ordinary activities	**209**	2

Factors affecting tax charge for the financial year

The tax assessed for the financial year is lower than (2018 - higher than) profit/(loss) for the financial year multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £000	2018 £000
Profit/(loss) on ordinary activities before tax	**2,112**	(1,285)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	**401**	(244)
Effects of:		
Expenses not deductible for tax purposes	**304**	9
Fixed assets timing differences	**-**	25
Effect of foreign tax rates	**-**	2
Tax increase (decrease) from other short-term timing differences	**-**	(43)
Non-taxable income	**(1,002)**	-
Other tax effects for reconciliation between accounting profit and tax expense (income)	**-**	(2)
Group relief	**506**	255
Total tax charge for the financial year	**209**	2

Factors that may affect future tax charges

Deferred tax

The Company has unrecognised deferred tax assets of £5,728 (2018: £5,889k) in respect of timing differences and unutilised tax losses. The Director has concluded that there is insufficient certainty of future taxable profits to allow this to be recognised.

The tax charge in future periods will be principally affected by the Company's ability to generate taxable profits. As at 31 December 2019 there were estimated tax losses in the UK of £32,760,087 (2018: £32,762,519) in respect of which deferred tax assets are not recognised.

Notes to the financial statements

For the financial year ended 31 December 2019

10. Intangible assets

	Internally generated software development costs £000	Trademarks, patents and licences £000	Goodwill £000	Total £000
Cost				
At 1 January 2019	6,495	630	2,500	9,625
Additions	42	-	-	42
Disposals	(422)	-	-	(422)
At 31 December 2019	6,115	630	2,500	9,245
Amortisation				
At 1 January 2019	6,014	630	2,500	9,144
Charge for the financial year	272	-	-	272
Disposals	(422)	-	-	(422)
At 31 December 2019	5,864	630	2,500	8,994
Net book value				
At 31 December 2019	251	-	-	251
At 31 December 2018	481	-	-	481

Notes to the financial statements

For the financial year ended 31 December 2019

11. Tangible fixed assets

	Leasehold improvements £000	Fixtures, fittings and computer equipment £000	Total £000
Cost or valuation			
At 1 January 2019	2,239	966	3,205
Disposals/scrapped	(2,239)	(845)	(3,084)
At 31 December 2019	-	121	121
Depreciation			
At 1 January 2019	2,212	966	3,178
Charge for the financial year	22	-	22
Disposals	(2,234)	(845)	(3,079)
At 31 December 2019	-	121	121
Net book value			
At 31 December 2019	-	-	-
At 31 December 2018	26	-	26

Notes to the financial statements

For the financial year ended 31 December 2019

12. Investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2019 and 2018	**1,330**
At 31 December 2019 and 2018	**1,330**
Impairment	
Charge for the period	**117**
At 31 December 2019	**117**
Net book value	
At 31 December 2019	**1,213**
At 31 December 2018	1,330

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
Portrait Million Handshakes AS	Bygg 1, Maridalsveien 87, 0461 Oslo, Norway	Ordinary	100%

The Company has relied on Section 400 of the Companies Act 2006 on the grounds that the results of the Company and its subsidiary is consolidated in the financial statements of the parent company.

An impairment loss on investment was recognised in administrative expenses during the year due to worse than expected economic performance of the sudsidiary's operation.

13. Debtors

	2019 £000	2018 £000
Trade debtors	**990**	2,532
Amounts owed by group undertakings	**1,005**	2,381
Prepayments	**75**	698
Accrued income	**35**	394
	2,105	6,005

Notes to the financial statements

For the financial year ended 31 December 2019

13. Debtors (continued)

Trade debtors include provision for doubtful debts of £Nil (2018: £Nil), the remaining balance is considered fully recoverable.

Amounts owed by group undertakings are interest free, unsecured and repayable on demand.

14. Cash and cash equivalents

	2019	2018
	£000	£000
Cash at bank and in hand	**835**	613

15. Creditors: Amounts falling due within one year

	2019	2018
	£000	£000
Trade creditors	**154**	237
Amounts owed to group undertakings	**2,719**	7,567
Corporation tax	**208**	-
Other taxation and social security	**133**	597
Other creditors	**33**	33
Accruals	**418**	148
Deferred income	**1,424**	2,060
	5,089	10,642

Trade and other creditors are payable at various dates over the coming months in accordance with the suppliers' usual and customary credit terms.

Amounts owed to group undertakings are interest free, unsecured and repayable on demand.

Taxes including Corporation tax, PAYE/NI and VAT are payable at various dates over the coming months in accordance with the applicable statutory provisions.

The terms of accruals and deferred income are based on the underlying contracts.

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

	2019	2018
	£000	£000
Deferred income	**838**	-

Notes to the financial statements

For the financial year ended 31 December 2019

17. Provisions

	Onerous contracts £000	Restructuring provisions £000	Total £000
At 1 January 2019	962	277	1,239
Charged to profit or loss	30	-	30
Utilised in financial year	(992)	(277)	(1,269)
At 31 December 2019	-	-	-

The provision for onerous leases and other commercial liabilities represents provision for commitments of the Company that are not expected to generate future economic benefit. These commitments include leases for property and other operating assets which the director has assessed as excessive following the restructuring of the business in prior years, and provision for the resolution of commercial matters with business partners. The provision represents the director's estimate of the costs to the Company of settling these commitments. In December 2019, the property lease was turnover to the lessor and the Company did not pay any dilapidation costs.

The restructuring provision represents the reserve required for the re-organisation of certain administrative and service processes. On 2 December 2019, Starfish Holdco LLC acquired the Company including Pitney Bowes Software Europe Limited and other entities of the Pitney Group for consideration of $708m. As a result, remaining provision was utilised during the year.

18. Share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
10,000 Ordinary shares of £0.10 each	1	1

19. Reserves

Capital redemption reserve

Capital redemption reserve represents the non-distributable reserves into which amounts are transferred following the redemption or purchase of Company's own shares.

Other reserves

Other reserves represents the cumulative share based payments expense.

Profit and loss account

The profit and loss reserve represents cumulative profits and losses net of dividends paid and other adjustments.

Notes to the financial statements

For the financial year ended 31 December 2019

20. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £000	2018 £000
Not later than 1 year	34	732
Later than 1 year and not later than 5 years	-	181
	34	913

At 31 December 2019 the Company had future minimum lease receivable under non-cancellable operating leases as follows:

	2019 £000	2018 £000
Not later than 1 year	-	845
Later than 1 year and not later than 5 years	-	211
	-	1,056

21. Related party transactions

The Company is a wholly owned member of Portrait Software Limited and as such has taken advantage of the exemption permitted by Section 33 'Related Party Disclosures', not to provide disclosures of transactions entered into with other wholly-owned members of the Group.

22. Post balance sheet events

On January 30, 2020, the World Health Organization declared the recent coronavirus disease 2019 ("COVID-19") outbreak a global health emergency and was elevated to "pandemic" status on March 11, 2020. Following these events, numerous jurisdictions issued shelter in place orders requesting or requiring residents to remain at home. The Company can experience increased risk of loss any time unforeseen infectious diseases impact large portions of certain populations. Specifically, the Company's business could experience losses resulting from COVID-19 related impacts as a result of complete or partial closure of the Company's facilities, labour shortages, disruptions in public and private infrastructure, increased cybersecurity risk as well as unforeseen perils. Management is taking actions it considers prudent to minimize the impact on the Company's operations. However, given the ongoing uncertainty surrounding the duration, magnitude and geographic reach of COVID-19, the Company continues to evaluate the impact of COVID-19 on its business and operations.

There have been no other significant events affecting the Company since the financial year end and the director does not envisage any substantial changes to the nature of the business in the foreseeable future.

23. Comparative information

Certain comparative information has been reclassified where necessary to conform to current year presentation.

Notes to the financial statements

For the financial year ended 31 December 2019

24. Controlling party

The company's immediate parent is Portrait Software Limited, incorporated in United Kingdom.

The ultimate parent was Pitney Bowes Inc, incorporated in United States of America until 2 December 2019.

After the acquisition on 2 December 2019, Starfish Holdco LLC, a company incorporated in the United States of America became the ultimate parent of the Company.

Portrait Software Limited is the parent company of the largest and smallest Group to prepare consolidated financial statements of which the Company is a member. Copies of the consolidated financial statements of Portrait Software Limited are available from Crown Way, Cardiff, CF14 3UZ.