

Alphanumeric Limited
Financial statements
For the year ended 31 March 2020

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Company no 03749871

Alphanumeric Limited
Financial statements for the year ended 31 March 2020

Company information

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| Company registration number: | 03749871 |
| Registered office: | Albert Works 71 Sidney Street SHEFFIELD S1 4RG |
| Directors: | A Fryatt |
| Bankers: | Barclays Bank plc 1 Princes Street IPSWICH IP1 1PB |
| Auditor: | Grant Thornton UK LLP Statutory Auditor Chartered Accountants 1 Holly Street SHEFFIELD S1 2GT |

Alphanumeric Limited
Financial statements for the year ended 31 March 2020

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Report of the directors

The directors present their report and the financial statements of Alphanumeric Limited for the year ended 31 March 2020.

Principal activity

The Company is principally engaged in information strategy.

Results and dividends

There was a profit for the year after taxation amounting to £1,186,000 (2019: £2,537,000).

The Company has paid dividends during the year amounting to £1,200,000 (2019: £2,500,000).

Directors

The directors who served the Company during the year are as follows:

M Boddy (Resigned 27 January 2020)
A Lingard (Resigned 20 December 2019)
M Sprot (Resigned 16 June 2020)
B O'Brien (Resigned 2 October 2019)
R Shaw (Appointed 27 January 2020, resigned 26 March 2020)
A Fryatt (Appointed 11 May 2020)

Statement of directors' responsibilities

The directors are responsible for preparing the Report of the directors, the Strategic report and the financial statements in accordance with applicable laws 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws, including FRS 101 "Reduced Disclosure Framework"). 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 and profit or loss of the Company 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Report of the directors

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future.

In addition to the normal process of preparing forecasts for the company, the board has also considered the potential impact of Covid-19 on the cash flows of the company for a period in excess of 12 months from the date of signing the financial statements. This has been done by looking at various scenarios within the forecasts for the potential effect of changes in the market during the forecast period.

Since March 2020, the economic impact of Covid-19 has resulted in revenue levels below those of the prior year, although we have been able to provide continuous service to our clients during this period. The company has taken actions to protect both cash and profitability through this period, including voluntary salary reductions, and taking advantage of Government schemes for job retention and VAT payment deferral. The company has continued to win new work through the period, and it remains on track to improve its performance year on year building on the restructure started in late 2019.

The second quarter has continued to see a positive trend. Whilst there remains considerable uncertainty in markets generally, the company believes that it is well placed to benefit as economic activity recovers.

The impact of Covid-19 indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The Company financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern. Notwithstanding this material uncertainty, the Directors have a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future and have concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.

Auditor

The Company's articles require annual reappointment of the auditors. Grant Thornton UK LLP have expressed willingness to continue in office. In accordance with s485(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP as auditors will be proposed at the Annual General Meeting.

ON BEHALF OF THE BOARD



A Fryatt
Director
25 November 2020

Strategic report

Key Performance Indicators

Key performance indicators of the Company include gross profit margin (2020: 29%, 2019: 26%) and operating profit margin (2020: 16%, 2019: 20%) which is defined as operating profit before share based payment transactions.

These are monitored and reviewed on a regular basis by the directors and the Company has performed to expected levels during the year.

Business review

During the year under review the Company has stabilised its revenues, whilst driving forward with its data-led consultancy and product offers. Revenue from two of its largest clients have reduced, however this has been mitigated through the securing and development of a number of significant new clients during the year, within both the Risk & Marketing sectors. This includes a number of sales of our market-leading AI-driven modelling product, Archetype, which is beginning to realise our ambitious growth plans. We continue to win new clients for our marketing effectiveness proposition, which incorporates our Almanac data capture product with advanced modelling techniques, to provide clients with a clear picture of the return on their marketing spend. This is now a core component of Jaywing's wider offer, in line with its overall data-driven marketing strategy. Within Risk, alongside the increasing interest in AI and non-linear modelling techniques, we have seen a strong period of demand for our expert model validation services, which has delivered strong revenues, particularly in the second half of the year.

Covid19 had an impact on client priorities towards the end of the FY, however we continue to believe that we have compelling offers in both the Risk and Marketing sectors. Our clients and prospects are increasingly recognising the need to use data to understand the changing environment and we are uniquely positioned to support. Risk clients are looking to model the impact that reduced incomes will have on future bad debt, whilst our Marketing clients are focused on ensuring that they understand the future impact on sales from the economic environment and their own marketing activities. We remain committed to using our Data Science expertise to support all of Jaywing's clients and developing future propositions and products to support our return to growth.

Principal risks and uncertainties

The management of the business and the nature of the Company's strategy are subject to a number of risks. The directors have set out below the principal risks facing the business. The directors are of the opinion that a risk management process is adopted which includes the formal review of all the risks identified below. Where possible, processes are in place to monitor and mitigate such risks.

Financial risk management objectives and policies

The Company uses financial instruments, other than derivatives, cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations. The main risks arising from the Company financial instruments are liquidity risk and currency risk. The directors review and agree policies for managing these risks and they are summarised below.

Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Primarily this is achieved through maintaining control over debtors and creditors.

Currency risk

The Company is exposed to transaction and translation foreign exchange risk. This is not significant and not considered a major risk. Exchange rate movements are monitored on a regular basis.

Strategic report

Covid-19

The Company has been quick to take action to mitigate the impact of this revenue reduction on profitability by eliminating unnecessary expenditures. In addition, to protect cashflow, the Company is taking advantage of VAT and PAYE deferral. By taking these actions, the Company believes that the impact of any revenue reductions over the short-term can be fully offset. Throughout this period the Company's employees have successfully adapted to remote working and continue to serve and support existing clients and add new business, including some COVID-19-related projects. We believe that these actions will put us in a strong position to benefit when spend starts to return to previous levels.

A Fryatt
Director
25 November 2020





Independent auditor's report to the members of Alphanumeric Limited

Opinion

We have audited the financial statements of Alphanumeric Limited (the 'company') for the year ended 31 March 2020, which comprise the profit and loss account, the balance sheet, the statement of changes in equity and 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 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities 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 UK, including the FRC's Ethical Standard, and we have fulfilled our other 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.

The impact of uncertainties arising from the UK exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with a course of action such as Brexit.

Material uncertainty related to going concern

We draw attention to note 1.2 in the financial statements, which details the factors that the directors have considered in making their going concern assessment, including the availability of support from the company's parent company in the event that such support was required. The uncertainty as to the future impact of the recent COVID-19 outbreak may cast significant doubt on the the group's and company's ability to continue as a going concern. As stated in note 1.2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Our responsibilities

We are responsible for concluding on the appropriateness of the directors' 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 we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up



Independent auditor's report to the members of Alphanumeric Limited

to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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.

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 or apparent material misstatements, 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 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.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the 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.

Matters on which we are required to report by exception

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 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 for the financial statements

As explained more fully in the directors' responsibilities statement, 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 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 company or to cease operations, or have no realistic alternative but to do so.



Independent auditor's report to the members of Alphanumeric Limited

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.

A further description of our responsibilities for the audit of the financial statements is located 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 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.

Grant Thornton UK LLP

Donna Steel
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield
25 November 2020

Profit and loss account

| | Note | 2020 £'000 | 2019 £'000 |
|---|------|----------------|----------------|
| Turnover | 2 | 5,982 | 11,646 |
| Cost of sales | | <u>(4,248)</u> | <u>(8,674)</u> |
| Gross profit | | 1,734 | 2,972 |
| Administrative expenses | | <u>(772)</u> | <u>(699)</u> |
| Profit from operations | 3 | 962 | 2,273 |
| Interest receivable and similar income | 4 | 4 | 1 |
| Profit on ordinary activities before taxation | | <u>966</u> | <u>2,274</u> |
| Tax on profit on ordinary activities | 7 | 220 | 263 |
| Profit for the financial year | | <u>1,186</u> | <u>2,537</u> |
| Total comprehensive income for the financial year | | <u>1,186</u> | <u>2,537</u> |

The accompanying accounting policies and notes form an integral part of these financial statements.

Balance sheet

As at 31 March 2020

| | Note | 2020 £'000 | 2019 £'000 |
|---|------|---------------|----------------|
| Fixed assets | | | |
| Tangible assets | 9 | 1 | 17 |
| Intangible assets | 10 | 68 | 136 |
| | | <u>69</u> | <u>153</u> |
| Current assets | | | |
| Debtors due within 1 year | 11 | 2,189 | 1,495 |
| Cash at bank and in hand | | 107 | 1,711 |
| | | <u>2,296</u> | <u>3,206</u> |
| Creditors: amounts falling due within one year | 12 | <u>(975)</u> | <u>(1,955)</u> |
| Net current assets | | <u>1,321</u> | <u>1,251</u> |
| Total assets less current liabilities | | <u>1,390</u> | <u>1,404</u> |
| Capital and reserves | | | |
| Called up equity share capital | 15 | - | - |
| Profit and loss account | 16 | 1,390 | 1,404 |
| Shareholders' funds | | <u>1,390</u> | <u>1,404</u> |

The financial statements were approved by the Board of Directors and authorised for issue on 25 November 2020.

Signed on behalf of the board of directors:



A Fryatt
 Director

Company number: 03749871

The accompanying accounting policies and notes form an integral part of these financial statements.

Statement of changes in equity

| | Called-up share capital £'000 | Capital contribution reserve £'000 | Profit and loss account £'000 | Total £'000 |
|--|--|---|--|----------------|
| At 1 April 2018 | - | - | 1,367 | 1,367 |
| Dividends paid | - | - | (2,500) | (2,500) |
| Share based payment capital contribution | - | (11) | - | (11) |
| Share based payment recharge to parent | - | 11 | - | 11 |
| Transactions with owners | - | - | (2,500) | (2,500) |
| Profit for the year and other comprehensive income | - | - | 2,537 | 2,537 |
| At 31 March 2019 | - | - | 1,404 | 1,404 |
| At 1 April 2019 | - | - | 1,404 | 1,404 |
| Dividends paid | - | - | (1,200) | (1,200) |
| Share based payment capital contribution | - | (12) | - | (12) |
| Share based payment recharge to parent | - | 12 | - | 12 |
| Transactions with owners | - | - | (1,200) | (1,200) |
| Profit for the year and other comprehensive income | - | - | 1,186 | 1,186 |
| At 31 March 2020 | - | - | 1,390 | 1,390 |

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the financial statements

1 Accounting policies

1.1 Statement of compliance

These financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' (FRS 101). The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have all been applied consistently throughout the year unless otherwise stated.

The financial statements have been prepared on a historical cost basis except for financial instruments.

The financial statements are presented in Sterling (£) and have been presented in round thousands (£'000).

Alphanumeric Limited is incorporated in England and Wales. The registered office is Albert Works, 71 Sidney Street, Sheffield, S1 4RG. The Company is principally engaged in information strategy.

1.2 Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future.

In addition to the normal process of preparing forecasts for the company, the board has also considered the potential impact of Covid-19 on the cash flows of the company for a period in excess of 12 months from the date of signing the financial statements. This has been done by looking at various scenarios within the forecasts for the potential effect of changes in the market during the forecast period.

Since March 2020, the economic impact of Covid-19 has resulted in revenue levels below those of the prior year, although we have been able to provide continuous service to our clients during this period. The company has taken actions to protect both cash and profitability through this period, including voluntary salary reductions, and taking advantage of Government schemes for job retention and VAT payment deferral. The company has continued to win new work through the period, and it remains on track to improve its performance year on year building on the restructure started in late 2019.

The second quarter has continued to see a positive trend. Whilst there remains considerable uncertainty in markets generally, the company believes that it is well placed to benefit as economic activity recovers.

The impact of Covid-19 indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The Company financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern. Notwithstanding this material uncertainty, the Directors have a reasonable expectation that the Company have adequate resources to continue in existence for the foreseeable future and have concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.

1.3 Parent Company

The Company is a wholly owned subsidiary of Jaywing plc which prepares publicly available consolidated financial statements in accordance with IFRS. This Company is included in the consolidated financial statements of Jaywing plc for the year ended 31 March 2020. These accounts are available from Albert Works, 71 Sidney Street, Sheffield, S1 4RG.

1.4 Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- 1 A statement of cash flows and related notes
- 2 The requirement to produce a balance sheet at the beginning of the earliest comparative period
- 3 The requirements of IAS 24 related party disclosures to disclose related party transactions entered in to between two or more members of the group as they are wholly owned within the group
- 4 Presentation of comparative reconciliations for property, plant and equipment, intangible assets, investment properties and agriculture
- 5 Capital management disclosures

Notes to the financial statements

- 6 Presentation of comparative reconciliation of the number of shares outstanding at the beginning and at the end of the period
- 7 The effect of future accounting standards not adopted
- 8 Certain share based payment disclosures
- 9 Disclosures in relation to impairment of assets
- 10 Disclosures in respect of financial instruments (other than disclosures required as a result of recording financial instruments at fair value)
11. IFRS 9 disclosures in respect of allowances for expected credit losses reconciliations and credit risk and hedge accounting
12. IFRS 15 disclosures in respect of disaggregation of revenue, contract assets reconciliations and contract liabilities reconciliation and unsatisfied performance obligations

1.5 Exemption from the preparation of consolidated financial statements

The financial statements contain information about Alphanumeric Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption conferred by s400 of the Companies Act 2006 not to produce consolidated financial statements as it is included in the EEA consolidated accounts of a larger group.

1.6 Tangible assets

Property, plant and equipment (PPE) is initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Company's management.

PPE is subsequently measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognised on a straight-line basis (unless otherwise stated) to write down the cost less estimated residual value of PPE. The following useful lives are applied:

- Fixtures, fittings and equipment: 2-5 years

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

1.7 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use.

The estimated useful life is as follows:

- Development costs: 3-4 years

For Intangible assets, the recoverable amount is only estimated when there is an indication that an impairment may have occurred. The recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is determined by assessing net present value of the asset based on future cash flows.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

1.8 Financial instruments - Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Notes to the financial statements

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

1.9 Financial instruments - Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- loans and receivables

There are no financial assets that have been designated as held to maturity, fair value through profit or loss or available-for-sale.

All financial assets are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

1.10 Financial instruments – loans and receivables

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition, or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.
- '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

1.11 Financial instruments – Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include borrowings, trade creditors and other creditors and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

1.12 Cash and cash equivalents

Cash comprises cash on hand and demand deposits which are presented as cash at bank and in hand in the statement of financial position.

Cash equivalents comprise short-term, highly liquid investments with maturities of three months or less from

Notes to the financial statements

inception that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are presented as part of current asset investments in the statement of financial position.

1.13 Leases

The Company has adopted IFRS 16 – Leases for the financial year ending 31 March 2020.

IFRS 16 introduces a single lessee accounting model, whereby the Company now recognises a lease liability and a right of use asset at 1 April 2019 for leases previously classified as operating leases. Within the income statement, operating lease charges, which previously were included in administrative expenses, have been replaced by depreciation and interest expenses.

There are no leases in the Company that fall under this standard and therefore there are no adjustments arising from the adoption.

For the comparative period ended 31st March 2019, where the Company is a lessee, payments made under an operating lease agreement are recognised as an expense on a straight-line basis over the lease term.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

1.14 Financial guarantees

Financial guarantees in respect of the borrowings of fellow group companies are not regarded as insurance contracts. They are recognised at fair value and are subsequently measured at the higher of:

- the amount that would be required to be provided under IAS 37 (see policy on provisions below); and
- the amount of any proceeds received net of amortisation recognised as income.

1.15 Holiday pay

A provision for annual leave accrued by employees as a result of services rendered, and which employees are entitled to carry forward and use within the next 12 months is recognised in the current period. The provision is measured at the salary cost payable for the period of absence.

1.16 Equity, reserves and dividend payments

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's ordinary shares are classified as equity. Transaction costs on the issue of shares are deducted from the share premium account arising on that issue. Dividends on the Company's ordinary shares are recognised directly in equity.

Interim dividends are recognised when they are paid. A liability for unpaid dividends is recognised when the dividends have been approved in a general meeting prior to the reporting date.

1.17 Revenue recognition

IFRS 15 'Revenue from Contracts with Customers' replaces IAS 18 'Revenue', IAS 11 'Construction Contracts' and several revenue-related interpretations. The adoption of IFRS 15 has had no impact on previously reported results or retained earnings.

Revenue is generated mainly under the following two contractual models:

1. Consulting day rates
2. Licences (with and without support)

The different revenue streams for the Company have been assessed and a view taken on whether the application of IFRS 15 would lead to a change in the way revenue is recognised for the work performed.

Notes to the financial statements

The Company has used the following five steps to do this:

1. *Identify the contract with the customer*
2. *Identify the performance obligations*
3. *Determine the transaction price*
4. *Allocate the transaction price to the performance obligations*
5. *Recognise revenue when the performance obligations are satisfied*

The Company often enters into transactions involving a range of the Group's products and services, for example providing a client with data consultancy and brand development work. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices.

Revenue is recognised over time, as the Company satisfies performance obligations by transferring the promised goods or services to its customers.

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises a receivable in its statement of financial position.

Consulting day rates

A client will enter into a contract for a piece of work that is quoted as a number of days charged at a rate per day. This work will be either risk, marketing or data based and could involve building models, databases and analysis of data. Invoices will usually be raised monthly for the number of days of work performed.

A specific piece of work is contracted for which will normally be a number of days work charged at a rate per day, with different rates for different levels of seniority. The transaction price is set out in the contract. The customer may choose to vary the scope at any stage, and that would be subject to an updated work schedule. That work order would still be part of the original contract as those services would not be distinct from those in the original contract.

Revenue is recognised over time in line with paragraph 35(a) based on the number of days work performed during the month.

Licences

A client enters into a contract for a product licence, including support from Jaywing to run that product and interpret the results from it. The product and support are not separately identifiable because the client is not able to operate the product licence without this support as they do not have the skills or a login to the system.

Revenue is recognised over time based on the provision of the licence and support during the month as the customer simultaneously receives and consumes the benefit of the services as the services are provided.

Each of these revenue streams have been assessed and the Group has concluded that for the contracts currently in place with customers, there is no change in the method of revenue recognition from that done historically.

There are no differences in payment terms for each of these categories, the only differences in payments terms are from individual terms agreed with clients.

1.18 Revenue – other revenue streams

Interest receivable

Interest receivable is reported on an accrual basis using the effective interest method.

1.19 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

1.20 Foreign currency translation

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions (spot exchange rate).

Notes to the financial statements

Foreign exchange gains and losses resulting from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

1.21 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method.

Calculation of deferred tax is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period that are expected to apply when the asset is realised or the liability is settled.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover the related asset or settle the related obligation.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax assets are not discounted.

Deferred tax liabilities are generally recognised in full with the exception of the following:

- on the initial recognition of goodwill on investments in subsidiaries and joint ventures where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future on the initial recognition of a transaction that is not a business combination and at the time of the transaction affects neither accounting or taxable profit.

Deferred tax liabilities are not discounted.

1.22 Post-employment benefits and short-term employee benefits

Short-term employee benefits

Short term employee benefits including holiday entitlement, are current liabilities included in pension and other employee obligations, measured at undiscounted amount that the Company expects to pay as a result of unused entitlement. See holiday pay policy in 1.15 above.

Post-employment benefit plans

Contributions to defined contribution pension schemes are charged to profit or loss in the year to which they relate. Prepaid contributions are recognised as an asset. Unpaid contributions are reflected as a liability.

1.23 Share based payments

Where equity settled share options are awarded by the parent company to employees of this Company the fair value of the options at the date of grant is charged to profit or loss over the vesting period with a corresponding entry in retained earnings.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive income over the remaining vesting period.

Recharges from the parent company for the use of options over the parent company shares are deducted from equity.

Notes to the financial statements

1.24 Profit from operations

Profit from operations comprises the results of the Company before interest receivable and similar income, interest payable and similar charges, corporation tax and deferred tax.

1.25 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.

1.26 Significant judgement in applying accounting policies and key estimation uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Capitalisation of internally developed software

Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument.

Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Share-based payments

The Company has entered into share option plans for eligible employees. These are accounted for under IFRS 2 Share-based payments. The fair value at the date of grant of share based remuneration is calculated and charged to the income statement on a straight line basis over the vesting period of the award. The charge to the income statement takes account of the estimated number of shares that will vest. All share based remuneration is equity settled.

2 Turnover

The turnover and profit before tax are attributable to the one principal activity of the Company and originate in the United Kingdom.

Notes to the financial statements

3 Operating profit

| | | |
|--|-------------------|-------------------|
| Operating profit is stated after charging: | 2020 £'000 | 2019 £'000 |
| Depreciation of tangible assets | 16 | 33 |
| Amortisation of intangible assets | 68 | 56 |
| Loss on foreign exchange transactions | 2 | 2 |
| | <u> </u> | <u> </u> |

The audit fee for the company is being met by Jaywing plc.

4 Other interest receivable and similar income

| | | |
|---|-------------------|-------------------|
| | 2020 £'000 | 2019 £'000 |
| Interest from Administrator in relation to client | 4 | 1 |
| | <u> </u> | <u> </u> |

5 Directors and employees

The average number of staff employed by the Company during the financial year amounted to:

| | | |
|-------------------------------------|-------------------|-------------------|
| | 2020 Number | 2019 Number |
| Technical | 47 | 56 |
| Management and administration staff | 8 | 9 |
| | <u> </u> | <u> </u> |
| | 55 | 65 |

The aggregate payroll costs of the above were:

| | | |
|-----------------------|-------------------|-------------------|
| | 2020 £'000 | 2019 £'000 |
| Wages and salaries | 3,436 | 4,112 |
| Social security costs | 411 | 487 |
| Apprenticeship levy | 13 | 18 |
| Other pension costs | 131 | 147 |
| Share option charges | (54) | 9 |
| | <u> </u> | <u> </u> |
| | 3,937 | 4,773 |

On 4 May 2016 and 8 December 2018 key employees of the Company were granted share options by the parent company, Jaywing plc, under the Jaywing plc Performance Share Plan.

Awards of share options have been made on an individual basis with particular performance criteria relevant to the participant. Options are usually granted for a maximum of five years. Share options outstanding at the end of the year have an exercise price of 5 pence. Employees must remain in employment during the vesting period.

The number of options outstanding at the end of the year in respect of Company employees was 581,659 (2019: 713,595).

Nil shares vested during the year (2019: nil).

The remaining contractual life of the share options was between 1 and 2 years (2019: 1 and 2 years).

Notes to the financial statements

6 Directors

Remuneration in respect of directors was as follows:

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Emoluments receivable | 71 | 151 |
| Social security costs | 9 | 19 |
| Company pension contributions to money purchase pension schemes | 6 | 11 |
| Share options | - | 9 |
| | <u>86</u> | <u>190</u> |

During the current period benefits were accruing to 1 director in respect of the defined contribution pension scheme, (2019: 1).

The highest paid director received remuneration of £71,000 (2019: £151,000).

The highest paid director received defined contribution pension contributions of £6,000 (2019: £11,000).

Key management includes directors only.

7 Tax on profit on ordinary activities

(a) The tax charge is based on the profit for the year and represents:

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| UK corporation tax | 223 | 433 |
| Adjustment in respect of previous periods | (454) | (688) |
| Total current tax | <u>(231)</u> | <u>(255)</u> |
| Deferred tax: | | |
| Origination and reversal of timing differences | 11 | (9) |
| Adjustment in respect of previous periods | - | 1 |
| Adjustments in respect of rate differences | - | - |
| | <u>(220)</u> | <u>(263)</u> |

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is lower (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019: 19%).

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Profit on ordinary activities before taxation | <u>966</u> | <u>2,274</u> |
| Profit on ordinary activities by rate of tax | 184 | 432 |
| Expenses not deductible for tax purposes | 38 | 2 |
| Other timing differences | (1) | (19) |
| Amortisation | 13 | 10 |
| Adjustments to tax charge in respect of previous periods | (454) | (688) |
| Total tax (note 7(a)) | <u>(220)</u> | <u>(263)</u> |

Notes to the financial statements

8 Dividends

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Paid during the year (£12,000 per share (2019: £25,000 per share)) | <u>1,200</u> | <u>2,500</u> |

9 Tangible fixed assets

| | Fixtures, fittings and equipment £'000 |
|---------------------|---|
| Cost | |
| At 1 April 2019 | 430 |
| Disposals | (2) |
| At 31 March 2020 | <u>428</u> |
| Depreciation | |
| At 1 April 2019 | 413 |
| Charge for the year | 16 |
| On disposals | (2) |
| At 31 March 2020 | <u>427</u> |
| Net book amount | |
| At 31 March 2020 | <u>1</u> |
| At 31 March 2019 | <u>17</u> |

10 Intangible fixed assets

| | Product development costs £'000 |
|---------------------|--|
| Cost | |
| At 1 April 2019 | 770 |
| Additions | - |
| Disposals | (505) |
| At 31 March 2020 | <u>265</u> |
| Depreciation | |
| At 1 April 2019 | 634 |
| Charge for the year | 68 |
| On disposals | (505) |
| At 31 March 2020 | <u>197</u> |
| Net book amount | |
| At 31 March 2020 | <u>68</u> |
| At 31 March 2019 | <u>136</u> |

Notes to the financial statements

11 Debtors

| | 2020 £'000 | 2019 £'000 |
|------------------------------------|---------------|---------------|
| Due within 1 year | | |
| Trade debtors | 950 | 1,017 |
| Amounts owed by group undertakings | 1,106 | 229 |
| Prepayments and accrued income | 99 | 205 |
| Deferred tax asset | 34 | 44 |
| | <u>2,189</u> | <u>1,495</u> |

12 Creditors: amounts falling due within one year

| | 2020 £'000 | 2019 £'000 |
|------------------------------------|---------------|---------------|
| Trade creditors | 28 | 189 |
| Amounts owed to group undertakings | 40 | 278 |
| Other taxation and social security | 362 | 485 |
| Corporation tax | 223 | 454 |
| Accruals and deferred income | 299 | 524 |
| Other creditors | 23 | 25 |
| | <u>975</u> | <u>1,955</u> |

There is no interest charged on intercompany loans.

13 Deferred taxation

Deferred tax is provided for at 19% (2019: 19%) in the financial statements and consists of the following:

| | 2020 £'000 | 2019 £'000 |
|--------------------------------|---------------|---------------|
| Accelerated capital allowances | 44 | 36 |
| Other timing differences | (11) | 8 |
| | <u>34</u> | <u>44</u> |

The amount of deferred tax recognised in profit or loss was as follows:

| | 2020 £'000 | 2019 £'000 |
|--------------------------|---------------|---------------|
| Other timing differences | - | 8 |
| Rate change | (11) | - |
| | <u>(11)</u> | <u>8</u> |

14 Commitments under operating leases

The Company had no commitments under non-cancellable operating lease agreements.

Notes to the financial statements

15 Share capital

Authorised share capital:

| | 2020 £'000 | 2019 £'000 |
|--------------------------------------|---------------|---------------|
| 1,196,934 Ordinary shares of £1 each | <u>1,197</u> | <u>1,197</u> |

Allotted, called up and fully paid:

| | 2020 | | 2019 | |
|----------------------------|------------|------------|------------|------------|
| | No | £ | No | £ |
| Ordinary shares of £1 each | <u>100</u> | <u>100</u> | <u>100</u> | <u>100</u> |

16 Reserves

Called-up share capital – represents the nominal value of shares that have been issued.

Profit and loss account – includes all current and prior period retained profits and losses.

17 Contingencies

There is a cross guarantee between members of the Jaywing plc group of companies on all bank overdrafts and borrowings with the group's lenders. At 31 March 2020, the amount thus guaranteed by the Company was £6,629,000 (2019: £11,232,000).

18 Ultimate controlling party

The ultimate parent undertaking and controlling related party of this company is its parent company, Jaywing plc, by virtue of its 100% shareholding in the company.

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by Jaywing plc. Copies of the group accounts can be obtained at Albert Works, 71 Sidney Street, Sheffield, South Yorkshire, S1 4RG.

19 Retirement benefits

Defined Contribution Schemes

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £131,000 (2019: £147,000) with the financial year end pension creditor being £23,000 (2019: £25,000).

Notes to the financial statements

20 Share based payments

Employees of the Company are entitled to participate in an equity and cash-settled share option scheme operated by the Company's ultimate parent company Jaywing plc.

The options are granted with a fixed exercise price and have a vesting period of up to two years. The vesting conditions relate to the performance of Alphanumeric Ltd and the overall Jaywing plc group during the vesting period. There are no other market conditions attached to the share options.

The number of options outstanding at the end of the year in respect of Company employees was 581,659 (2019: 713,595).

Nil share options were exercised during the year (2019: Nil). The exercise prices for share options outstanding was 5p (2019: 5p). The remaining contractual life of the share options was between 1 and 2 years (2019: 1 and 2 years).

During the year, a credit for equity settled share based payments was recognised in the profit and loss of £74,531. (2019: charge of £8,840).

21 Related party transactions

As a wholly owned subsidiary of Jaywing plc, the Company is exempt from the requirements of FRS 101 to disclose transactions with other members of the group headed by that company.

22 Capital Commitments

As at the year-end date, the company had no capital commitments.