

**Nasstar Group Limited**

Annual report and financial  
statements

Registered number 03883933  
For the year ended 31 December 2019



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## **Directors and advisers**

<b>Directors</b>	W Churchill K J Budge
<b>Company registration number</b>	03883933
<b>Registered office</b>	Global House 2 Crofton Close Lincoln Lincolnshire LN3 4NT
<b>Solicitors</b>	Marriott Harrison LLP Staple Court 11 Staple Inn London WC1V 7QH
<b>Independent auditor</b>	Ernst & Young LLP One Colmore Square Birmingham B4 6HQ
<b>Principal bankers</b>	Santander UK plc Corporate Banking 1 Cornwall Street Birmingham B3 2DX

## Strategic report

The parent company of Nasstar Group Limited (the Company) is Nasstar Limited, formerly Nasstar plc until 10 March 2020 when, following a special resolution by the board of directors on 5 March 2020, Nasstar plc was re-registered from plc to private as Nasstar Limited following the acquisition by Divitias Bidco Limited on 27 January 2020.

Nasstar Limited has a number of operating subsidiaries providing managed outsourced services (the Group, "Nasstar"), these being:

- Nasstar (UK) Limited (Nasstar UK)
- Nasstar for Recruitment Limited (formerly Kamanchi Limited)
- Nasstar Group Limited (formerly e-know.net Limited)
- Nasstar South Limited (formerly Modrus Limited)

### Review of the business

On 27 January 2020 100% the Group was acquired by Divitias Bidco Limited, a Company which is part of the Divitias Midco Limited Group, which builds and manages high quality Communications, Hybrid Cloud and Network solutions for major companies.

The Group is a provider of hosted managed and cloud computing services. We integrate private and public clouds, supplying a robust, secure and stable hosted information technology service to business customers. The Group provides a true end to end service for clients providing them with enhanced IT performance and greater cost control over their IT function. The Group owns its primary data centre and is head quartered in Telford, UK, with regional offices in Northampton, London and Bournemouth whilst 24 x 7 support is delivered from its Auckland office in New Zealand. Nasstar is an accredited Microsoft Gold Partner, a Tier 1 multi-region Cloud Solution Provider (CSP) partner for Microsoft Office 365 ("O365") and Azure, an authorised Citrix CSP Partner, ITIL (a set of detailed practices for IT service management) aligned and is certified to ISO 27001.

Nasstar specialises in building bespoke cloud hosted services to manage a client's entire application set, tailor made to suit specific industries, designing public, private and hybrid cloud solutions to meet the objectives of the client. Public cloud solutions utilise services from multinational vendors such as Microsoft ("O365" and "Azure"), private cloud solutions are delivered from Nasstar owned and controlled infrastructure whilst Hybrid solutions are an integrated combination of the two. The solution is a highly scalable service that provides benefits including "Anywhere Access" to computing; a standardised corporate solution that can be accessed globally in multiple languages; generating cost savings when compared to the traditional IT ownership model whilst replacing capital expenditure with a simple usage-based payment model.

The bespoke cloud hosted services include a comprehensive portfolio of solutions, offering Hosted Desktop, O365, Hosted Exchange, Software as a Service (SaaS), Infrastructure as a Service (IaaS), Azure and Hosted Telephony services. Additionally, the Group hosts a wide variety of software applications on behalf of clients. Further, the Group provides managed networks and an extensive end user support service. All such services are supplied on a price per service per month basis, building a strong long term recurring revenue relationship with clients.

The Group holds a tier one agreement to sell Microsoft's cloud offerings known as O365 and Azure. The programme enables the Group to supply O365 on a truly flexible per user per month model, with the Group contracting with the end user and retaining full invoicing and customer support. In addition, Nasstar is on the Microsoft Qualified Multi Tenant Host program and is Shared Computer Activation (SCA) accredited. This SCA accreditation enables Nasstar to integrate O365 fully with hybrid platforms. Nasstar are one of only a few Microsoft partners that hold such accreditation. This has enabled the Group to deeply integrate the O365 offering into its hosted desktop solution, embracing the innovations of O365 as a clear differentiator over its competitors. In addition, the Cloud Solution Programme (CSP) enables the Group to benefit from the economies derived from the use of the Azure platform. Microsoft's hyper scale IaaS offering.

## Strategic report (continued)

Through our central Professional Services Team, Nasstar provides consultancy services on business processes and application development to its clients in its targeted vertical markets. The team has an in-depth knowledge of the feature set of O365. This enhances its added value service to its managed service client base. In addition, through its exclusive sector focus, Nasstar has built strong relationships with the specialist software providers (authors), thus enabling it to offer clients a one-stop solution for all their essential applications.

Nasstar recognises that cyber security continues to be a rapidly changing landscape and therefore bolsters its internal capabilities by partnering with a specialist in this area to supply protective monitoring services as well as additional consulting services for customers. Nasstar puts security at the heart of all operations, service and product design.

### Financial Review

#### Key Performance Indicators ('KPIs')

The directors regularly review monthly contracted revenue, net margins, operating costs, and product development to ensure that sufficient cash resources are available for the continued development and support of its service. Primary KPIs at the year end were as follows:

	2019 £000	2018 £000
Revenues	14,359	12,369
Operating costs, including cost of sales (excluding share based payments, amortisation of customer intangibles and exceptional items)	11,044	10,254
Current assets (excluding cash)	9,447	8,408
Current liabilities	6,227	5,378
Cash and cash equivalents	2,276	657

Reported profit before tax was £3.2m (2018: £2.0m). Revenues increased by 16% from 2018, mainly due to recurring and consultancy revenue, which has in turn resulted in an increase in profits before tax of 60%.

### Environment

The Company recognises the importance of environmental impact management and is committed to playing a part in helping society address climate change and as a result has an Environmental Impact Management System. The primary purpose of this is to measure and manage the environmental impact of the business.

The Company is committed to meeting the requirements of Environmental Impact Management good practice and is continually seeking ways in which it can improve. Everyone within the Company has an important role to play to ensure that the environmental impact of the business is kept to a minimum and each member of staff has their own specific tasks and responsibilities to that end.

The Company expects the business's core behaviour of professionalism and customer focus to be reflected in the Environmental Impact Management processes and procedures.

Datapoint House, the Group's primary, state of the art, data centre is one of the most eco-friendly and advanced facilities in the UK, incorporating leading technologies for free cooling and efficient operation. The Group takes a comprehensive approach to measuring its PUE (Power Usage Effectiveness) and is constantly reviewing technologies that can further increase the efficiency of the facility to drive the PUE rating down further. This is demonstrated by the deployment of extra intelligence to the air conditioning cooling systems in the primary data centre which has seen the PUE rating improve from 1.7 to 1.6.

In addition, the Group has declared a strategy to consolidate its UK data centre footprint further contributing to lowering its carbon footprint.

Recycling is enforced company wide as is WEEE (waste, electrical and electronic equipment) disposal, with this also offered as a service to clients. The Company encourages eco-friendly methods of commuting for its staff through optional cycle to work and bus pass schemes.

## **Strategic report (continued)**

### ***Principal Risks and Uncertainties***

#### ***Competition and product development***

The Company operates as a provider of hosted managed and cloud computing services. Whilst the Board considers this to be a market with considerable growth potential, there is a risk that the Company's business will not meet current expectations if the sales assumptions are incorrect. The market for hosted desktop, public, private and hybrid cloud computing services is competitive and, given that the Board believes that the market is fast-growing, it is likely that competition will increase, which could affect the Company's sales performance and longevity of customer relationships. Large and well-funded businesses may decide to enter the market and this could affect the Company's ability to achieve its sales forecasts. As the market becomes more competitive and commoditised there is a risk that the Company's gross profit margin may reduce, and there is a risk that customer churn will increase as a result of competition. As a mitigation to this risk the Group has consolidated to a single brand name and continued to invest in its vertical go to market strategy. In addition, continued investment into the account management function is designed to deliver a consistently excellent service to all clients with the aim to promote longevity in the relationships with customers. The directors consider the rate and causes of churn and implement strategies with the aim to minimise customer churn. Finally the investment into R&D and innovation ensures the Company's solutions evolve so customers are offered a mix of public and private cloud based services that, when combined, differentiate the solution from the competition thus helping protect overall gross profit margins.

#### ***Credit risk***

Credit risk arises principally from the Company's trade and other receivables. It is a risk that the counterparty fails to discharge its obligation in respect of the instrument. The maximum exposure to credit risk equals the carrying value of these items in the financial statements. The Company uses credit reference software which monitors customer's credit risk and has strong credit control procedures in place, with regular review by management of receivable balances.

#### ***Liquidity risk***

Liquidity risk arises principally from the Company's management of working capital and the amount of funding committed to its software and hardware platforms. It is a risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The principal liabilities of the Company arise in respect of operational and administrative expenditure, trade and other payables and the servicing of interest bearing debt which comprises lease finance obligations and bank loans. Trade and other payables are all payable within four months.

The Board receives cash flow projections on a regular basis as well as information on cash balances.

#### ***Interest rate risk***

The Company is exposed to interest rate risk on bank loans as bank interest rates change. This is monitored regularly by the Board. The Company is also exposed to interest rate risk in respect of surplus funds held on deposit. The Board does not currently undertake hedging arrangements, although interest rates and exposure to fluctuations are regularly reviewed by management.

#### ***Currency risk***

The Company purchases licences from various software vendors in USD and is therefore exposed to risk from currency fluctuations. The Group undertakes a limited number of forward contracts for payments in USD. The timing and amounts of payments are known in advance enabling forward contracts to be used to manage foreign exchange risk. At 31 December 2019 the Company held \$94,956 in cash balances.

A small number of European customers are invoiced in Euros. The risk from currency fluctuation is managed by protection within the customer service terms and conditions, enabling the Group to adjust pricing with any significant currency fluctuation.

#### ***Compliance risk***

The Company acquires Microsoft licensing via the Service Provider Licensing Agreement (SPLA) programme. Such licensing models see the Company declare license volumes and versions on a provider declaration basis which is subsequently audited approximately every 5 years. Microsoft have the ability to change pricing and usage rights on

## Strategic report (continued)

a regular basis which can directly impact the cost base of a solution. The Company annually review the usage rights of each product and rely on an internal database to report license usage by user.

Nasstar recognise that the demands of the General Data Protection Reregulation which came into force on 25 May 2018 apply extra responsibilities on data processors over and above those already enforced by the current Data Protection Act. Security by design has always been at the heart of the technical solutions at Nasstar, however this new regulation means Nasstar have further tightened procedural processes when processing personal data.

### Cybercrime risk

Nasstar recognise that the threat landscape from cybercrime is ever changing and mitigation techniques need continual appraisal. Therefore, to enhance Nasstar's capabilities in this area in 2019 a priority objective of the "Nasstar 10-19" was to embed further the Nasstar security centric culture, placing "security at the heart" of all processes and technologies. This saw Nasstar evolve a closer partnership with Nasstar's security partners, introduce mandatory multi factor authentication for all new clients and rebuilds, roll out an enhanced internal information security programme training regime, employ additional security qualified resource, increased investment in intrusion prevention technologies and research and test intent based and artificial intelligence driven security technologies.

### Revenue risk

Concentration in a limited number of clients carries the risk that fluctuations in revenue could be significant. The Company continues to develop a strong pipeline to broaden the customer base. Time from acquisition of a new customer to recognition of the revenue from that customer can be substantial due to the complexity of solutions particularly for larger customers. A dedicated project management office was created to manage and monitor the progress of implementations of new customers and significant delays reported to management. Protection is also built into customer contracts to minimise customer caused delays impacting revenue recognition.

## Employees

We would like to take this opportunity to thank our loyal and hardworking team of employees. Our business is built on relationships with people and the stability of our teams. The Company recognises that success is dependent on the experience, motivation and skill of its people. It is recognised that staff retention is key, and therefore our core values, employee of the month and year schemes, benefit packages, training and career development opportunities ensure that employees are supported and motivated for success.

At the end of the financial year, the number of employees of the Company was as follows:

	Male	Female	Total
Directors and management	1	1	2
Other employees	95	22	117
<b>Total</b>	<b>96</b>	<b>23</b>	<b>119</b>

## Strategic report (continued)

### Outlook

The high quality of earnings and financial security of the Group is underpinned by the high percentage of revenues that are generated by contracted recurring services across Nasstar's customer base (2019: 91%). That said we are by no means complacent and will continue during 2020 to take steps under the "Nasstar 10-19" programme to focus on strategies to mitigate the competitive pressure we experience every day in the context of a dynamic market place.

Our strategic goals for 2020 are well established with delivery in hand, including the ongoing review of our sales pricing policies and license cost consolidation through further technical integration and the continuation of our talent management scheme.


The continuation of our capabilities to win and deliver larger and more complex projects will be key for 2020, which is evidenced by the implementation of the previously announced 850 user law firm.

The protracted BREXIT process continues to create an uncertain economic climate, the tangible effect of which for Nasstar has been the lengthening of the decision-making process seen in some opportunities in the sales pipeline. The majority of our customers are UK headquartered so are impacted by the continued climate of macroeconomic uncertainty. The Board monitors the situation on an ongoing basis and is prepared to make alterations to strategic plans and investment decisions as appropriate.

In the meantime, we will continue to work hard to differentiate Nasstar by focusing on vertical specialisms, whilst investing heavily in account management capabilities, technical skills and support processes all designed to deliver first class customer service.

We believe that solutions delivered on public and private cloud hybrid technologies will continue to form the basis of a growing market and I therefore believe Nasstar is well positioned, from solid foundations to take advantage of the continuing opportunity.

By order of the board

DocuSigned by:  
  
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**K J Budge**  
Director

21 December 2020

## Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2019.

### Principal activities

Nasstar Group Limited is an established service provider, specialising in the delivery of managed solutions to business. From its Telford based server farm facilities it provides a highly robust, managed outsourced service on a 24/7 basis to businesses worldwide.

### Business review

The Company generated a profit of £2,828,313 for the year (2018: £1,765,391) from its principal trading activity. The statement of profit and loss is set out on page 14.

### Research and development

The Company has developed software during the year and has capitalised £475,113 in the year (2018: £187,518) in respect of customer support and service platform development, which are expected to generate future economic benefits. Amortisation of £99,882 (2018: £34,087) has been expensed to the profit and loss account in the year in respect of internally developed software.

The Company capitalises expenditure on development activities where it meets the requirements of accounting standards for capitalisation.

### Financial instruments

The Company's principal financial instruments comprise cash, trade debtors, trade creditors, loans from group companies and finance lease agreements. These form the day to day trading balances of the Company.

### Post balance sheet events

On 27 January 2020 100% of Nasstar Limited, formerly Nasstar plc until 10 March 2020 when, following a special resolution by the board of directors on 5 March 2020, Nasstar plc was re-registered from plc to private as Nasstar Limited following the acquisition by Divitias Bidco Limited on 27 January 2020, from this date, the Company became part of the Divitias Midco Limited Group 'the Group'.

The impact of COVID 19 has created some level of uncertainty as to the outlook for the next 12 months. Should it become apparent that sales orders, revenue and/or cash collections are being significantly affected by a slowdown in the markets in which the Group operates, the Directors will undertake a further review on discretionary expenditure and capital investment to protect the Group's cash position.

The Group will, as part of its usual period end reporting process, conduct impairment reviews across all cash generating units. The process will be informed by any impact arising from challenging trading environments and macro economic weakness, exacerbated by the uncertainty created by COVID 19.

There is the potential should macro economic weakness persist, for write down of goodwill and investment valuation alongside increases in bad debt provisions and write offs should customers enter financial difficulty.

We aim to mitigate this customer risk categorising customers as either paying in advance or by securing suitable credit insurance coverage on certain customers according to input from external credit agencies.

The Group continues to enjoy a positive liquidity position and is well positioned, given further opportunities for cost mitigation to cope with the current situation.

## **Directors' report (continued)**

### **Going concern**

On 27 January 2020, through Divitias Bidco Limited's acquisition of Nasstar Limited, the Company became part of the GCI trading group, which in turn is part of the Divitias Midco Limited group (the 'Parent Group'). The Company is dependent on continuing financial support being made available by Divitias Midco Limited and its subsidiary Divitias Bidco Limited where external borrowings are held. Divitias Bidco Limited has agreed to provide sufficient funds to the Company to enable it to meet its liabilities as they fall due, but only to the extent that money is not otherwise available to the Company to meet such liabilities, for a period of at least 12 months from the date of signing of these financial statements.

The Board has considered the impact of the ongoing COVID 19 impact. Despite the COVID 19 pandemic the Parent Group has traded profitably and increased its cash position by £11.7m to Q3 2020. Revenues are slightly suppressed from budget but a strong cost out programme following the acquisition of Nasstar plc in January 2020 has mitigated this resulting in an EBITDA that is only slightly below budget. However, it is still too early to ascertain the impact that COVID 19 may have on the next 12 months revenue and profitability.

The Directors have prepared forecasts for the Parent Group covering a period through to 31 December 2021. These forecasts reflect an assessment of current and future market conditions and their impact on the Parent Group's future profitability performance. The forecasts have been sensitised for a reduction in revenue from Q3 2020 to the end of the review period with the impact on profitability and cash flow considered, net of certain expected cost savings given the reduced volumes. The forecasts have also been reverse stress tested with some cost mitigations, each within the control of the business.

In the sensitised scenario, reflecting a severe but plausible downside, the forecasts indicate the Parent Group would still have sufficient profitability for the Parent Group to meet its covenant requirements and would retain sufficient liquidity to fund operations. In the reverse stress tested scenario, the Parent Group would need some mitigation such as reducing discretionary spend and delaying development and capital expenditure. Should it become apparent that trading performance is being affected for a prolonged period, the Directors will undertake a further review on discretionary expenditure and capital investment to protect the Parent Group's position.

Having considered all the above, including the Parent Group's current financial position, the directors remain confident in the long term future prospects for the Parent Group and its ability to continue as a going concern for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

### **Proposed dividend**

A dividend of £748,218 (2018: Nil) was declared and paid during the period.

### **Policy and practice on payment of creditors**

It is the Company's policy to settle supplier invoices within the terms and conditions of trade agreed with individual suppliers. At the year end, the Company had an average of 67 days (2018: 105 days) purchases outstanding.

### **Directors**

The directors who have held office during the year and at the date of these financial statements were as follows:

Lord Daresbury (resigned 23 October 2019)  
NJ Redwood (resigned 29 February 2020)  
N Redwood (resigned 26 February 2020)  
S Brown (resigned 15 February 2020)  
D McCarthy (resigned 16 April 2020)  
C McLauchlan (appointed 25 February 2020 and resigned 22 July 2020)  
W Churchill (appointed 25 February 2020)  
K J Budge (appointed 22 July 2020)

### **Political and charitable contributions**

The Company made no political donations during the year (2018: £Nil). The Company made no charitable donations during the year (2018: £797).

## **Directors' report** *(continued)*

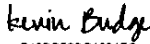
### **Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Auditor**

In accordance with Section 489 of the Companies Act 2006, a resolution to appoint Ernst & Young LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

DocuSigned by:  
  
B406CF8BC4604EC

**K J Budge**  
*Director*

Global House  
2 Crofton Close  
Lincoln  
Lincolnshire  
LN3 4NT

21 December 2020

## **Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, 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.

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.

## **Independent auditor's report to the members of Nasstar Group Limited**

### **Opinion**

We have audited the financial statements of Nasstar Group Limited (the 'company') for the year ended 31 December 2019, which comprise the statement of profit and loss and other comprehensive income, balance sheet, statement of changes in equity and notes 1 - 27 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 December 2019 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.

### **Emphasis of matter - Effects of COVID 19**

We draw attention to Notes 1.2 and 26 of the financial statements, which describe the economic and operational consequences the company is facing as a result of COVID 19 which is impacting customer demand, profitability and liquidity, together with personnel being able to access offices. Our opinion is not modified in respect of this matter.

### **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 directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have 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 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.

**Matters on which we are required to report by exception**

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 directors' report.

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

- adequate accounting records have not been kept 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 set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

**Auditor's responsibilities for the audit of the financial statements**

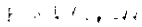
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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](http://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.

DocuSigned by:



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Adrian Roberts

Senior Statutory Auditor

for and on behalf of Ernst & Young LLP

Statutory Auditor, Chartered Accountants

Birmingham

21 December 2020

**Statement of profit and loss and other comprehensive income**  
*for year ended 31 December 2019*

	Note	2019 £	2018 £
<b>Turnover</b>	3	<b>14,358,948</b>	12,368,755
Cost of sales		(4,708,815)	(4,406,178)
<b>Gross profit</b>		<b>9,650,133</b>	7,962,577
Administrative expenses		(6,423,749)	(5,861,995)
Share based payments		(33,699)	(13,810)
Other administrative expenses		(6,335,108)	(5,848,185)
Administrative expenses before exceptional items		(6,368,807)	(5,861,995)
<b>Operating profit before exceptional items</b>		<b>3,281,326</b>	2,100,582
Exceptional items –re-organisation costs	9	(54,942)	-
<b>Operating profit</b>	4	<b>3,226,384</b>	2,100,582
Other interest receivable and similar income	7	1,209	418
Interest payable and similar charges	8	(49,508)	(54,844)
<b>Profit before taxation</b>		<b>3,178,085</b>	2,046,156
Taxation	10	(349,772)	(280,765)
<b>Profit for the financial year</b>		<b>2,828,313</b>	1,765,391

The notes on pages 17 to 45 form part of these financial statements.

**Other Comprehensive Income**  
*for the year ended 31 December 2019*

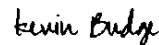
There were no recognised gains or losses in either the current or preceding year other than the profit or loss for those years.

**Balance Sheet**  
*at 31 December 2019*

	Note	2019	2018
		£	£
<b>Non-current assets</b>			
Intangible assets	11	840,795	511,469
Tangible assets	12	2,747,964	3,291,529
Right of use assets	13	976,421	669,623
Trade and other debtors	15	648,746	443,766
		<u>5,213,926</u>	<u>4,916,387</u>
<b>Current assets</b>			
Stocks	14	13,320	5,003
Trade and other debtors	15	9,433,823	8,430,839
Cash at bank and in hand	17	2,276,309	657,258
		<u>11,723,452</u>	<u>9,093,100</u>
<b>Current Liabilities</b>			
Interest bearing bank loans	20	-	(53,334)
Trade and other creditors	18	(5,983,885)	(5,198,682)
Lease liabilities	20	(242,964)	(125,888)
	18	<u>(6,226,849)</u>	<u>(5,377,904)</u>
<b>Net current assets</b>		<u>5,496,603</u>	<u>3,715,196</u>
<b>Total assets less current liabilities</b>		<u>10,710,529</u>	<u>8,631,583</u>
<b>Non-Current Liabilities</b>			
Lease liabilities	20	(681,364)	(570,653)
Trade and other creditors	19	(292,123)	(437,682)
	19	<u>(973,487)</u>	<u>(1,008,335)</u>
<b>Net assets</b>		<u>9,737,042</u>	<u>7,623,248</u>
<b>Capital and reserves</b>			
Called up share capital	23	748,218	748,218
Share premium account		3,038,368	3,038,368
Profit and loss account		5,950,456	3,836,662
<b>Shareholders' funds</b>		<u>9,737,042</u>	<u>7,623,248</u>

The notes on pages 17 to 45 form part of these financial statements.

These financial statements were approved by the board of directors on 21 December 2020 and were signed on its behalf by:

DocuSigned by:  
  
B40BCF8BC4604LC

**K J Budge**  
Director

Company registered number: 03883933

## Statement of Changes in Equity

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
Balance at 1 January 2018	748,218	3,038,368	2,060,361	5,846,947
Adjustment on initial application of IFRS 9	-	-	(2,900)	(2,900)
Profit for the year	-	-	1,765,391	1,765,391
Share based payments recognised in equity	-	-	13,810	13,810
Balance at 31 December 2018	748,218	3,038,368	3,836,662	7,623,248
Balance at 1 January 2019	748,218	3,038,368	3,836,662	7,623,248
Profit for the year	-	-	2,828,313	2,828,313
Share based payments recognised in equity	-	-	33,699	33,699
Dividends paid	-	-	(748,218)	(748,218)
Balance at 31 December 2019	748,218	3,038,368	5,950,456	9,737,042

The notes on pages 17 to 45 form part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Basis of preparation and accounting policies

Nasstar Group Limited (the "Company") is a company incorporated and domiciled in the UK and the registered address is Global House, 2 Crofton Close, Lincoln, LN3 4NT.

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. The financial statements are presented in pound sterling (£).

The Company's immediate parent undertaking, Nasstar Limited (formerly Nasstar plc) includes the Company in its consolidated financial statements. The consolidated financial statements of Nasstar Limited are prepared in accordance with International Financial Reporting Standards, are available to the public and may be obtained from [www.nasstar.com](http://www.nasstar.com).

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Nasstar Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments;
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets; and
- The disclosures required by IFRS 7 *Financial Instrument Disclosures*.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis. There are no assets and liabilities required to be measured at fair value after initial recognition.

**Notes (continued)**

**1 Accounting policies (continued)**

**1.2 Going concern**

On 27 January 2020, through Divitias Bidco Limited's acquisition of Nasstar Limited (formerly Nasstar plc), the Company became part of the GCI trading group, which in turn is part of the Divitias Midco Limited group (the 'Parent Group'). The Company is dependent on continuing financial support being made available by Divitias Midco Limited and its subsidiary Divitias Bidco Limited where external borrowings are held. Divitias Bidco Limited has agreed to provide sufficient funds to the Company to enable it to meet its liabilities as they fall due, but only to the extent that money is not otherwise available to the Company to meet such liabilities, for a period of at least 12 months from the date of signing of these financial statements.

The Board has considered the impact of the ongoing COVID 19 impact. Despite the COVID 19 pandemic the Parent Group has traded profitably and increased its cash position by £11.7m to Q3 2020. Revenues are slightly suppressed from budget but a strong cost out programme following the acquisition of Nasstar plc in January 2020 has mitigated this resulting in an EBITDA that is only slightly below budget. However, it is still too early to ascertain the impact that COVID 19 may have on the next 12 months revenue and profitability.

The Directors have prepared forecasts for the Parent Group covering a period through to 31 December 2021. These forecasts reflect an assessment of current and future market conditions and their impact on the Parent Group's future profitability performance. The forecasts have been sensitised for a reduction in revenue from Q3 2020 to the end of the review period with the impact on profitability and cash flow considered, net of certain expected cost savings given the reduced volumes. The forecasts have also been reverse stress tested with some cost mitigations, each within the control of the business.

In the sensitised scenario, reflecting a severe but plausible downside, the forecasts indicate the Parent Group would still have sufficient profitability for the Parent Group to meet its covenant requirements and would retain sufficient liquidity to fund operations. In the reverse stress tested scenario, the Parent Group would need some mitigation such as reducing discretionary spend and delaying development and capital expenditure. Should it become apparent that trading performance is being affected for a prolonged period, the Directors will undertake a further review on discretionary expenditure and capital investment to protect the Parent Group's position.

Having considered all the above, including the Parent Group's current financial position, the directors remain confident in the long term future prospects for the Parent Group and its ability to continue as a going concern for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

## Notes (continued)

### 1 Basis of preparation and accounting policies (continued)

#### 1.3 IFRS 15 Revenue from contracts with customers

##### *Revenue accounting policy*

The Company generates revenue from the sale of hosted managed services and cloud computing services, which may include the provision of workstation or telephony equipment. Products and services are sold in bundled packages and contracts span a period between two to five years.

The Company's revenue is derived from two primary sources: direct sales and sales to 'partner' organisations. The Company has assessed the principal vs agent indicators in IFRS 15 and concluded that the nature of the promise is to provide the specified goods or services itself and it is the principal of the transactions. In making this assessment, management has considered whether the Company has discretion in establishing the price, whether the Company has inventory risk and whether the Company is responsible for the fulfilment of the promise.

Revenue is recognised when the performance obligation has been satisfied by transferring the promised good or service to the customer.

The Company's hosted managed service and cloud computing contracts are multi-element contracts. At contract inception, an assessment is completed to identify the performance obligations in each contract. Performance obligations in a contract are either goods or services that are distinct, or part of a series of goods or services that are substantially the same and have the same pattern of transfer to the customer. Promises that are not distinct, such as installation and set-up, are combined with other promised goods or services in the contract, until a performance obligation is satisfied.

At contract inception, the transaction price is determined, being the amount that the Company expects to receive for transferring the promised goods or services. The transaction price is allocated to the performance obligations in the contract based on their relative stand-alone selling prices. The Company uses the expected cost-plus margin approach or observable price to determine the stand-alone selling price for each performance obligation.

Certain contracts include the provision of workstation equipment. This is not considered to be a separate performance obligation. The customer is not able to benefit from the equipment without the other services in the contract and the right to control the use of the workstation equipment does not transfer to the customer for the duration of the contract. The equipment is supplied in order to provide other services in the contract to the customer. This is a key area of management judgement.

The remaining goods and services, within a hosted managed service or cloud computing contract, are a series of goods and services. These are recognised over the length of the contract which is the period over which the customer receives and consumes the benefits of the goods and services. The Company applies output method to measure progress towards the complete satisfaction of this performance obligation. The provision of hosted managed or cloud computing services is a daily service provision and hence the output method most faithfully depicts the transfer of control of the goods and services to the customer.

The Company also generates a small percentage of revenue from ad-hoc sales of hardware, software and other one-off items. Revenue is recognised in line with the satisfaction of the performance obligation, which in most cases is the delivery of the item to the customer. There has been no change in recognition of these ad-hoc sales due to the implementation of IFRS 15.

**Notes (continued)**

**1 Accounting policies (continued)**

*Contract setup costs*

The incremental costs associated with obtaining a contract are recognised as an asset if the Company expects to recover the costs. Costs that are not incremental to a contract are expensed as incurred. Management determine which costs are incremental and meet the criteria for capitalisation.

Costs to fulfil a contract, which are not in the scope of another standard, are recognised separately as a contract fulfilment asset to the extent that they relate directly to a contract which can be specifically identified, the costs generate or enhance resources that will be used to satisfy the performance obligation and the costs are expected to be recovered. Management applies judgement to determine which contract fulfilment costs meet the recognition criteria, and in particular if the costs generate or enhance resources used to satisfy the performance obligation.

Costs to fulfil a contract, which do not meet the criteria above, are expensed as incurred.

*Contract fulfilment asset*

Contract fulfilment assets are amortised over the expected contract period on a systematic basis representing the pattern in which control of the associated service is transferred to the customer.

*Impairment of non-financial assets*

*Capitalised contract costs and contract fulfilment assets*

The Company undertakes an assessment at each reporting date to determine whether capitalised contract costs and contract fulfilment assets are impaired. An impairment loss is recognised if the carrying amount of the capitalised contract costs or contract fulfilment asset exceeds the remaining consideration expected to be received for the services to which the asset relates, less the costs that directly relate to providing the services under the contract.

*Deferred and accrued income*

Where the payment and/or invoicing schedule within a customer contract does not match the transfer of goods and services, the Company will recognise either accrued or deferred income.

A deferred income contract liability is recognised where payments made and/or invoices issued exceed the revenue recognised at the period end date. An accrued income contract asset is recognised where payments made and/or invoices issued are less than the revenue recognised at the period end date.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.4 IFRS 16 Leases

##### Leases accounting policy

###### *Initial and subsequent measurement of the right-of-use asset*

A right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the Company. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation methods applied are as follows:

Leased property	On a straight-line basis over the shorter of the lease term and the useful life
Plant and equipment	On a straight-line basis over the shorter of the lease term and the useful life of 3-5 years

###### *Leases – the Group as lessee*

On commencement of a contract (or part of a contract) which gives the Company the right to use an asset for a period of time in exchange for consideration, the Company recognises a right-of-use asset and a lease liability unless the lease qualifies as a 'short-term' lease or a 'low-value' lease.

###### *Short term leases*

Where the lease term is twelve months or less and the lease does not contain an option to purchase the leased asset, lease payments are recognised as an expense on a straight-line basis over the lease term.

###### *Leases of low-value assets*

For leases where the underlying asset is 'low-value', lease payments are recognised as an expense on a straight-line basis over the lease term.

The Company has elected to apply the 'low-value' lease exemption to all qualifying leases.

###### *Initial measurement of the lease liability*

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

The lease term is the non-cancellable period of the lease plus extension periods that the Company is reasonably certain to exercise and termination periods that the Company is reasonably certain not to exercise.

The incremental borrowing rate is the rate of interest the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Subsequent measurement of the lease liability*

The lease liability is subsequently increased by a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments.

Interest on the lease liability is recognised in the Statement of Profit and Loss. Variable lease payments not included in the measurement of the lease liability, as they are not dependent on an index or rate, are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

#### *Re-measurement of lease liability*

The lease liability is adjusted for changes arising from the original terms and conditions of the lease that change the lease term or the lease payments. The change in the amounts payable under the lease are recognised when the change takes effect and are discounted at the original discount rate.

#### *Lease modification*

A lease modification is a change that was not part of the original terms and conditions of the lease. It is accounted for as a separate lease if it increases the scope of the lease by adding the right to use one or more additional assets with a commensurate adjustment to the payments under the lease.

For a lease modification not accounted for as a separate lease, the lease liability is adjusted for the revised lease payments, discounted using a revised discount rate. The revised discount rate used is the interest rate implicit in the lease for the remainder of the lease term, or if that rate cannot be readily determined, the lessee company's incremental borrowing rate at the date of the modification.

Where the lease modification decreases the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease. Any difference between the adjustment to the lease liability and the adjustment to the right-of-use asset is recognised in profit or loss.

For all other lease modifications, the adjustment to the lease liability is recognised as an adjustment to the right-of-use asset.

#### *Significant judgements and major sources of estimation uncertainty*

The Group applies judgement in determining whether individual leases can be accounted for as a portfolio. The judgements include an assessment of whether the leases share similar characteristics and whether the financial statements would be materially different if each lease was accounted for individually.

In determining the lease term, the Company assesses whether it is reasonably certain to exercise, or not to exercise, options to extend or terminate a lease. This assessment is made at the start of the lease and is re-assessed if significant events or changes in circumstances occur that are within the lessee's control.

#### *Practical expedients and transition options*

When the interest rate implicit in the lease is not readily determinable, the Company estimates the incremental borrowing rate based on its external borrowings secured against similar assets, adjusted for the term of the lease.

There are several practical expedients and transition options within IFRS 16. The following will be applied to the recognition and measurement of the lease liability and right of use asset:

- A single discount rate will be applied to a portfolio of leases with reasonably similar characteristics (i.e. leases with similar remaining lease term), as permitted under IFRS 16.C10(a)
- The provisions of IFRS 16.C11 in respect of finance leases will be applied. The carrying amount of the finance lease asset and lease liability at 31 December 2019 will be the carrying amount of the right-of-use asset and lease liability under IFRS 16.

## Notes (continued)

### 1 Accounting policies (continued)

In terms of the use of a single discount rate applied to a portfolio of leases with similar characteristics, this has been applied based on remaining lease term from the date of initial application.

#### 1.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

Separately identifiable intangible assets are amortised over their estimated useful lives as follows:

Computer software - 3 to 5 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

#### 1.6 Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate: the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

#### 1.7 Plant and equipment

Plant and equipment is stated at cost of acquisition less accumulated depreciation and impairment losses.

Depreciation is provided at rates calculated to write off the cost of each asset over its expected useful economic life as follows:

Data centre - 25 years  
Plant and equipment - 3-5 years on a straight line basis  
Office equipment and fixtures - 5-25 years on a straight line basis

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the asset is derecognised. The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

#### 1.8 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

## Notes (continued)

### 1 Accounting policies (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years.

#### 1.9 IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39: Financial Instruments: Recognition and Measurement.

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument.

##### *Financial assets*

The Company classifies its financial assets into one of the categories discussed below, depending on the business model and the nature of the contractual cashflows.

**Trade receivables, amounts owed by group companies and other receivables:** These are non-derivative financial assets which are held to collect the contractual cash flows, with fixed or determinable payments on specified dates, which are solely payments of principal and interest, that are not quoted in an active market. They arise principally through the provision of goods and services but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

**Cash and cash equivalents:** These include cash in hand, deposits held at call with banks and similar financial institutions. Bank overdrafts are not offset unless permitted by a specific agreement with the provider of the overdraft.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of trade receivables, amounts owed by group companies and cash and cash equivalents.

##### *Impairment of financial assets*

An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

## Notes (continued)

### 1 Accounting policies (continued)

The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes and takes into account the time value of money.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12 month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are the ECLs that results from all possible default events over the expected life of a financial instrument.

The Company has elected to measure loss allowances for trade receivables, amounts owed by group companies and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating lifetime ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The loss allowance on all financial assets is measured by considering the probability of default. The Company considers a financial asset to be in default when the customer is unlikely to pay its credit obligations to the Company in full.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

#### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (ie. The difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

#### *Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

The Group considers financial assets to be 'credit-impaired' when the following events, or combinations of several events, have occurred before the year end:

- Significant financial difficulty of the counterparty arising from significant downturns in operating results and/or significant unavoidable cash requirements when the counterparty has insufficient finance from internal working capital resources, external funding and/or group support;
- A breach of contract, including receipts being more than 120 days past due;
- It becomes probable that the counterparty will enter bankruptcy or liquidation.

#### *Write-off policy*

Receivables are written off by the Company when there is no reasonable expectation of recovery, such as when the counterparty is known to be going bankrupt, or into liquidation or administration.

#### *Credit risk*

The risk that counterparties will fail to settle amounts due to the Group predominantly arises from trade receivables, other receivables and cash and cash equivalents.

The Company's credit risk management practices and how they relate to the recognition and measurement of expected credit losses is set out below.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Assessing significant increases in credit risk*

The Company undertakes the following procedures to determine whether there has been a significant increase in the credit risk of its group balances since their initial recognition. Where these procedures identify a significant increase in credit risk, the loss allowance is measured based on the risk of a default occurring over the expected life of the instrument rather than considering only the default events expected within 12 months of the year-end.

The Company's group receivables represent trading balances and interest free amounts advanced to other group companies with no fixed repayment dates. The Company determines that credit risk has increased significantly when:

- There are significant actual or expected changes in the operating results of the group entity, including declining revenues, profitability or liquidity management problems, or;
- There are existing or forecast adverse changes to the business, financial or economic conditions that may impact the group entity's ability to meet its debt obligations, and;
- The group entity is unable to rely on the support of other group entities to meet its debt obligations.

#### *Presentation of impairment*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the asset.

Impairment losses are presented under finance costs, similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss and other comprehensive income due to materiality considerations.

#### *Impairment of trade receivables*

The ECLs were calculated based on actual credit loss experience over the period from 1<sup>st</sup> January 2018 to 30<sup>th</sup> June 2019.

#### *Impairment of group receivables*

The calculation of ECL's were performed based on cash flow forecasts of the relevant group entities. There is no impairment of intercompany receivables as there is sufficient cash forecast to support the full recovery of group receivables.

#### *Financial liabilities*

The Company classifies its financial liabilities according to the substance of the contractual arrangements:

**Interest-bearing borrowings and bank loans:** The Company's financial liabilities at amortised cost comprise lease finance arrangements from financial institutions, lease liabilities and bank loans. These are initially recognised at fair value, net of direct transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

**Trade and other payables:** These, with the exception of contingent consideration, are initially recognised at fair-value, net of direct transaction costs, and then subsequently measured at amortised cost. They arise principally from the receipt of goods and services.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.10 Derecognition of financial assets (including write-offs) and financial liabilities

A financial asset (or part thereof) is derecognised when the contractual rights to cash flows expire or are settled, or when the contractual rights to receive the cash flows of the financial asset and substantially all the risks and rewards of ownership are transferred to another party.

When there is no reasonable expectation of recovering a financial asset, it is derecognised ('written off').

The gain or loss on derecognition of financial assets measured at amortised cost is recognised in profit or loss.

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Any difference between the carrying amount of a financial liability (or part thereof) that is derecognised, and the consideration paid is recognised in profit or loss.

#### 1.11 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

#### 1.12 Employee benefits

##### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

##### *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### *Share-based payment transactions*

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity or the parent company instruments are obtained by the Company.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the Company receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Company's equity instruments are accounted for as cash-settled

## Notes (continued)

### 1 Accounting policies (continued)

share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Where the Company's parent grants rights to its equity instruments to the Group's or the Company's employees, which are accounted for as equity-settled in the consolidated financial statements of the parent, the Group or the Company as the case may be, accounts for these share-based payments as equity-settled.

#### 1.13 Foreign currency

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

#### 1.14 Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

## Notes (continued)

### 2 Critical judgements and estimations

In the process of applying the Company's accounting policies, management makes various judgements which can significantly affect the amounts recognised in the financial statements. Critical judgements are considered to be:

- Whether the Company acts as principal or agent. The Company's revenue is derived from two primary sources: direct sales and sales to 'partner' organisations. The Company has assessed the principal vs agent indicators in IFRS 15 and concluded that the nature of the promise is to provide the specified goods or services itself and it is the principal of the transactions. In making this assessment, management has considered whether the Company has discretion in establishing the price, whether the Company has inventory risk and whether the Company is responsible for the fulfilment of the promise.
- The provision of workstation equipment in certain contracts is not considered to be a separate performance obligation. The customer is not able to benefit from the equipment without the other services in the contract and the right to control the use of the workstation equipment does not transfer to the customer for the duration of the contract.
- Costs to fulfil a contract, which are not in the scope of another standard, are recognised separately as a contract fulfilment asset to the extent that they relate directly to a contract which can be specifically identified, the costs generate or enhance resources that will be used to satisfy the performance obligation and the costs are expected to be recovered. Management applies judgement to determine which contract fulfilment costs meet the recognition criteria, and in particular if the costs generate or enhance resources used to satisfy the performance obligation.
- Determining whether individual leases can be accounted for as a portfolio. The judgements include an assessment of whether the leases share similar characteristics and whether the financial statements would be materially different if each lease was accounted for individually.
- In determining the lease term, the Company assesses whether it is reasonably certain to exercise, or not to exercise, options to extend or terminate a lease. This assessment is made at the start of the lease and is reassessed if significant events or changes in circumstances occur that are within the lessee's control.
- When the interest rate implicit in the lease is not readily determinable, the Company estimates the incremental borrowing rate based on its external borrowings secured against similar assets, adjusted for the term of the lease.
- The impairment of trade, group and other receivables requires estimates about the expected cashflows, probability of default and period over which the company is exposed to credit risk. In determining whether its group and other receivables are impaired, the Company makes judgements about whether changes in the credit risk of financial assets since initial recognition are significant.

The key management judgements and assumptions that have been applied in the calculation of the lease liability and right-of-use asset in the IFRS 16 lease model are:

- Datapoint House – there have been no changes to rent following the rent reviews in 2014 or 2017.
- There are no rent-free accruals held on the balance sheet at 1 January 2019.
- There are no onerous lease provisions in the balance sheet at 1 January 2019 for leases with an end date post 31 December 2019.

Rental payments are made quarterly in advance for all leases. The timing of the rental payments has been taken into account in the leasing model for each of the individual leases.

## Notes (continued)

### 3 Turnover

#### Contracts with customers

	2019 £	2018 £
Revenue from contracts with customers	14,351,041	12,361,464
Other revenue – IFRS 15 financing element	7,907	7,291
Total revenues	14,358,948	12,368,755

#### Disaggregation of revenue

An analysis of the Group's revenue by destination market is as follows:

	2019 £	2018 £
United Kingdom	13,844,530	11,668,596
Rest of the World	514,418	700,159
Total revenues	14,358,948	12,368,755

An analysis of the Group's revenue by type of goods and services is as follows:

	2019 £	2018 £
Recurring revenue	12,834,199	11,257,682
Consultancy	687,293	276,260
Ad hoc sales of hardware, software and other one off items	837,456	834,813
Total revenues	14,358,948	12,368,755

No customer represented a significant proportion of revenue during the year.

An analysis of the Group's revenue by industry segment is as follows:

	2019 £	2018 £
Legal	6,701,940	5,038,664
Recruitment	3,407,863	3,016,578
Media, advertising & event management	2,143,582	1,822,783
Technology and telecoms	196,936	1,031,797
Energy and logistics	599,138	664,196
Financial services	545,916	463,422
Not for profit and education	525,014	106,684
Other	238,559	224,631
Total revenues	14,358,948	12,368,755

#### 4 Operating profit

Included in profit are the following:

	2019 £	2018 £
Amortisation of intangible assets	196,601	159,777
Depreciation	903,246	818,498
Depreciation of property right of use assets	138,029	89,283
<i>Auditor's remuneration</i>		
Audit of these financial statements	25,740	25,740
Taxation compliance services	-	6,560

Auditor's remuneration in respect of taxation compliance services in the prior year were paid to Grant Thornton UK LLP, the Company's previous auditors.

#### 5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2019	2018
Technical	31	23
Support	61	52
Sales and marketing	11	11
Administration	10	11
Directors	4	4
	<u>117</u>	<u>101</u>

The aggregate payroll costs of these persons were as follows:

	2019 £	2018 £
Wages and salaries	3,907,464	3,076,076
Share based payments	33,699	13,810
Social security costs	420,937	411,707
Contributions to defined contribution plans	168,031	215,743
	<u>4,530,131</u>	<u>3,717,336</u>

During the year, payroll costs of £475,113 (2018: £187,518) were capitalised as internally generated software development assets.

**Notes (continued)**

**6 Directors' remuneration**

	2019 £	2018 £
Directors' emoluments	843,391	834,374
Company contributions to money purchase pension plans	83,966	62,953

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £317,081 (2018: £302,489) and company pension contributions of £24,000 (2018: £24,000). Directors' emoluments comprise of salary and fees, bonuses and share based payments. In the current year, the figure for directors' emoluments includes amounts that were recharged to other group companies.

	2019	2018
Retirement benefits are accruing to the following number of directors under:		
Money purchase scheme	4	4

**7 Other interest receivable and similar income**

	2019 £	2018 £
Interest income	1,209	418

**8 Interest payable and similar charges**

	2019 £	2018 £
Bank loan interest	400	4,583
Interest on lease liabilities	41,396	38,923
IFRS 15 financing element interest	7,712	11,338
	<b>49,508</b>	<b>54,844</b>

**9 Exceptional items**

The following items are considered significant by virtue of their size and nature and therefore have been recognised as exceptional items during the year:

	2019 £	2018 £
Costs of reorganisation/restructuring	54,942	-
	<b>54,942</b>	<b>-</b>

**Notes (continued)**

**10 Taxation**

**Recognised in the profit and loss account**

	2019 £	£	2018 £	£
<i>UK corporation tax</i>				
Current tax on income for the period	368,094		292,353	
Adjustment in respect of prior years	(65,843)		(59,856)	
		302,251		232,497
Total current tax		302,251		232,497
<i>Deferred tax (see note 22)</i>				
Origination and reversal of temporary differences	47,275		(34,230)	
Adjustment in respect of prior years	246		3,071	
IFRS 15 transition adjustment	-		79,427	
Total deferred tax		47,521		48,268
Tax charge on profit		349,772		280,765

**Reconciliation of effective tax rate**

	2019 £	2018 £
Profit for the year	2,828,313	1,765,391
Total tax expense	349,772	280,765
Profit excluding taxation	3,178,085	2,046,156
Tax using the UK corporation tax rate of 19% (2018: 19%)	603,836	388,770
Non-deductible expenses	7,732	6,183
Group relief not paid for	(50,780)	-
Research and development claim	(114,000)	(61,750)
Change in the rate of UK corporation tax	(8,283)	4,897
Adjustment in respect of prior years	(65,597)	(56,784)
Reserve adjustment on application of IFRS9	(23,136)	(551)
Total tax expense	349,772	280,765

## Notes (continued)

### 10 Taxation (continued)

The Company has estimated losses of £nil (2018: £nil) available to carry forward against future trading profits.

#### Factors that may affect the future tax charge

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016 although a resolution to retain the corporation tax rate from 1 April 2020 at 19% was passed on 17 March 2020, and is enacted from this date.

### 11 Intangible assets

	Computer software £
<b>Cost</b>	
Balance at 1 January 2018	1,163,910
Other acquisitions – internally developed	187,518
Other acquisitions – externally purchased	160,058
	<hr/>
Balance at 31 December 2018	1,511,486
	<hr/>
Balance at 1 January 2019	1,511,486
Other acquisitions – internally developed	475,113
Other acquisitions – externally purchased	50,814
	<hr/>
Balance at 31 December 2019	2,037,413
<b>Amortisation and impairment</b>	
Balance at 1 January 2018	840,240
Amortisation for the year	159,777
	<hr/>
Balance at 31 December 2017	1,000,017
	<hr/>
Balance at 1 January 2018	1,000,017
Amortisation for the year	196,601
	<hr/>
Balance at 31 December 2019	1,196,618
<b>Net book value</b>	
At 31 December 2017	323,670
	<hr/>
At 31 December 2018	511,469
	<hr/>
At 31 December 2019	840,795

Capitalised software development costs are not treated as a realised loss for the purpose of determining the Company's distributable profits as the costs meet the conditions requiring them to be treated as an asset in accordance with IAS 38.

## Notes (continued)

### 11 Intangible assets (continued)

#### Amortisation and impairment charge

The amortisation charge is recognised in the following items in the statement of profit and loss:

	2019	2018
	£	£
Administrative expenses	196,601	159,777

### 12 Tangible fixed assets

	Data centre £	Plant and equipment £	Fixtures and fittings £	Total £
<b>Cost</b>				
Balance at 1 January 2018	922,912	5,834,563	390,819	7,148,294
Additions	-	1,496,936	8,603	1,505,539
Balance at 31 December 2018	922,912	7,331,499	399,422	8,653,833
Balance at 1 January 2019	922,912	7,331,499	399,422	8,653,833
Additions	-	338,847	20,834	359,681
Disposals	-	(101,824)	-	(101,824)
Balance at 31 December 2019	922,912	7,568,522	420,256	8,911,690
<b>Depreciation and impairment</b>				
Balance at 1 January 2018	279,587	4,085,921	178,298	4,543,806
Depreciation charge for the year	36,917	758,015	23,566	818,498
Balance at 31 December 2018	316,504	4,843,936	201,864	5,362,304
Balance at 1 January 2019	316,504	4,843,936	201,864	5,362,304
Depreciation charge for the year	36,916	849,149	17,181	903,246
Disposals	-	(101,824)	-	(101,824)
Balance at 31 December 2019	353,420	5,591,261	219,045	6,163,726
<b>Net book value</b>				
At 31 December 2017	643,325	1,748,642	212,521	2,604,488
At 31 December 2018	606,408	2,487,563	197,558	3,291,529
At 31 December 2019	569,492	1,977,261	201,211	2,747,964

**Notes (continued)**

**13 Right of use assets**

	<b>Plant and Machinery Right of use assets £000</b>	<b>Property Right of use assets £000</b>	<b>Total Right of use assets £000</b>
<b>Cost</b>			
Balance at 31 December 2017	-	-	-
On application of IFRS 16	-	758,906	758,906
Balance at 31 December 2018	-	758,906	758,906
Additions	444,827	-	444,827
Balance at 31 December 2019	444,827	758,906	1,203,733
<b>Depreciation</b>			
Balance at 31 December 2017	-	-	-
Depreciation charge for the year	-	89,283	89,283
Balance at 31 December 2018	-	89,283	89,283
Depreciation charge for the year	48,746	89,283	138,029
Balance at 31 December 2019	48,746	178,566	227,312
<b>Net book value</b>			
At 31 December 2017	-	-	-
At 31 December 2018	-	669,623	669,623
At 31 December 2019	396,081	580,340	976,421

**Notes (continued)**

**14 Stocks**

	2019 £	2018 £
Finished goods	13,320	5,003

**15 Debtors**

<i>Current assets</i>	2019 £	2018 £
Trade debtors	1,426,326	1,108,141
Prepayments	451,478	350,693
Amounts owed by group undertakings	6,814,063	6,535,118
Contract assets including accrued income	741,956	406,596
Other debtors	-	2,503
Deferred tax asset (see note 22)	-	27,788
	<b>9,433,823</b>	<b>8,430,839</b>

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

<i>Non-current assets</i>	2019 £	2018 £
Contract assets including accrued income	648,746	443,766
	<b>648,746</b>	<b>443,766</b>

**16 Contract balances**

	31 December 2019 £	31 December 2018 £	1 January 2018 £
Contract assets including accrued income	1,390,702	850,362	284,339
Contract liabilities including deferred income	1,244,460	1,180,739	1,228,933

Contract assets relate to fulfilled obligations which are billed monthly in arrears and the incremental costs associated with obtaining and implementing a contract. At the point where completed work is invoiced, the contract asset is derecognised, and a corresponding receivable recognised.

Contract liabilities relate to consideration received from customers in advance of the performance obligation being satisfied.

**Notes (continued)**

**16 Contract balances (continued)**

The significant changes in contract assets and contract liabilities are presented below:

	2019 £		2018 £	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Revenue recognised in the year that was included in the opening contract liability balance	-	(778,576)	-	(694,767)
Revenue deferred/accrued in line with IFRS 15	(32,387)	842,297	53,281	646,573
Contract assets recognised	983,591	-	743,315	-
Amortisation of contract assets charged to P&L	(410,864)	-	(230,575)	-

*Transaction price allocated to the remaining performance obligations*

The following table shows the aggregate amount of revenue allocated to performance obligations that are unsatisfied or partly unsatisfied at the year end and when that revenue is expected to be recognised.

£'000	2020	2021	2022	2023	2024	Total
Provision of services	950.103	188.115	74.374	28.307	3.561	1,244.460

All consideration from contracts with customers is included in the analysis above.

Obligations in respect of monthly recurring revenue will be partly satisfied monthly until there exists no further obligation to provide services to the customer.

The Company applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information relating to performance obligations for contracts that had an original expected duration of one year or less or where the right to consideration from a customer is an amount that corresponds directly with the value of the completed performance obligations.

## Notes (continued)

### 16 Contract balances (continued)

#### Contract setup costs

It is expected that commissions paid to employees in respect of contracts that have been won are recoverable. These have therefore been capitalised as an asset and are amortised over the term of the contract. The amount of capitalised commission is £99,311 (2018: £31,809). Amortisation of £12,556 (2018: £17,040) and an impairment charge of £nil (2018: £nil) were recognised during the year.

The Company incurs costs associated with the design and construction of the technology platforms for relevant contracts. These costs relate directly to a contract, they generate/enhance resources that the group will use to satisfy future performance obligations and are recoverable. These costs are therefore capitalised as an asset and amortised over the term of the contract. The amount of capitalised technology platform costs is £1,211,812 (2018: £724,150). Amortisation of £398,308 (2018: £213,535) and an impairment charge of £Nil (2018: £Nil) were recognised during the year.

The Company has applied the practical expedient available in paragraph 94 of IFRS 15 to recognise the incremental costs of obtaining a contract as an expense when incurred where the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

### 17 Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	2,276,309	657,258

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

	2019 £	2018 £
Bank loans (see note 20)	-	53,334
Lease Liabilities (see note 20)	242,964	125,888
Trade creditors	1,314,823	1,862,569
Taxation and social security	628,651	536,167
Amounts owed to group undertakings	2,335,127	1,401,955
Accruals	733,214	654,934
Contract liabilities including deferred income	952,337	743,057
Deferred Tax	19,733	-
	<b>6,226,849</b>	<b>5,377,904</b>

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

**Notes (continued)**

**19 Creditors: amounts falling due in more than one year**

	2019 £	2018 £
Lease liabilities	681,364	570,653
Contract liabilities including deferred income	292,123	437,682
	<u>973,487</u>	<u>1,008,335</u>

The bank loans are secured by way of a fixed and floating charge over the Company and its property and assets.

**20 Interest-bearing loans and borrowings**

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

	2019 £	2018 £
<b>Creditors falling due more than one year</b>		
Lease liabilities – plant and machinery	167,400	-
Lease liabilities – property	513,964	570,653
	<u>681,364</u>	<u>570,653</u>
<b>Creditors falling due within less than one year</b>		
Secured bank loans	-	53,334
Lease liabilities – plant and machinery	157,728	15,746
Lease liabilities – property	85,236	110,142
	<u>242,964</u>	<u>179,222</u>

*Bank loan repayment schedule*

	Currency	Nominal Interest rate	Year of Maturity	Face value 2019	Carrying amount 2019	Face Value 2018	Carrying amount 2018
Bank loan	£	2.25% above base	2019	-	-	53,334	53,334

*Finance lease liabilities*

Finance lease liabilities are payable as follows:

	2019			2018		
	Minimum lease payments £	Interest £	Principal £	Minimum lease payments £	Interest £	Principal £
Expiring in:						
Less than one year	279,550	36,586	242,964	154,514	28,626	125,888
Between one and five years	750,253	68,889	681,364	659,841	89,188	570,653
	<u>1,029,803</u>	<u>105,475</u>	<u>924,328</u>	<u>814,355</u>	<u>117,814</u>	<u>696,541</u>

## Notes (continued)

### 21 Employee benefits

#### Defined contribution plans

The Group operates a number of defined contribution pension plans. The total expense relating to these plans in the current year in relation to Nasstar Group Limited employees was £33,699 (2018: £215,743).

#### Share based payments

##### Equity-settled share option schemes

The holding company, Nasstar Limited (formerly Nasstar plc), issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value of options granted has been calculated with reference to the Black-Scholes option pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of any non market-based vesting conditions.

The holding company, Nasstar Limited (formerly Nasstar plc), has established two share option schemes, an EMI Option Scheme and an Unapproved Option Scheme, under the rules of which the number of shares under option at any one time will not exceed 12% of Nasstar Limited's issued share capital from time to time. All shares issued on exercises of options shall rank pari passu in all respects, with the existing shares, save that the shares issued will not rank for any dividends or other distributions declared or recommended prior to the date when the option is exercised.

Options granted during the period to management will each vest and become exercisable in line with the performance targets set out below.

The performance targets split the shares into three equal sections subject to the following criteria:

- Section 1: the mid-market share price is 10p-13p or more for a continuous three month period
- Section 2: the mid-market share price is 15p-16p or more for a continuous three month period
- Section 3: the mid-market share price is 20p or more for a continuous three month period.

Options granted to other key personnel will each vest and become exercisable as follows:

- 25% on the first anniversary of the date of grant
- 25% on the second anniversary of the date of grant
- 25% on the third anniversary of the date of grant
- 25% on the fourth anniversary of the date of grant.

All options will lapse on the tenth anniversary of grant.

EMI Options and Unapproved Options (together the options) have been granted over 41,755,740 (2018: 43,230,740) ordinary shares in aggregate to directors and staff under the schemes, representing approximately 8% of the issued share capital of Nasstar Limited as at 31 December 2019, as set out below:

#### 31 December 2019

	No of share options	Weighted average price (pence)	Price range (pence)
Outstanding at beginning of period	43,230,740	7.81	5 to 12
Granted during the period	500,000	7.81	12
Cancelled/expired during the period	(1,975,000)	9.54	6 to 12
<b>Outstanding at end of period</b>	<b>41,755,740</b>	<b>7.8</b>	<b>6 to 12</b>
Exercisable at end of period	10,805,247	6.49	6 to 12

**Notes (continued)**

**21 Employee benefits (continued)**

The weighted average contract life of options outstanding at the end of the year was 7.67 years.

**31 December 2018**

	No of share options	Weighted average price (pence)	Price range (pence)
Outstanding at beginning of period	33,967,960	6.83	6 to 39
Granted during the period	12,000,000	11.51	11.5 to 11.7
Cancelled/expired during the period	(2,737,220)	11.55	5 to 39
Outstanding at end of period	43,230,740	7.81	5 to 12
Exercisable at end of period	5,519,830	9.08	5 to 12

The weighted average contract life of options outstanding at the end of 31 December 2018 was 8.5 years.

As at 31 December 2019, outstanding options granted under the share option scheme were as follows:

	Exercise period	2019	2018	Exercise price (pence)
08/12/05	12/07 - 12/19	-	750,000	12
25/09/09	09/11 - 09/19	50,000	225,000	6
22/12/09	12/11 - 12/19	175,000	175,000	10
30/11/10	11/12 - 11/20	230,000	230,000	12
15/06/11	06/13 - 06/21	350,000	350,000	8
01/03/13	03/15 - 03/23	100,000	100,000	11.95
10/01/14	01/16 - 01/24	19,250,000	19,250,000	5.00
05/10/15	10/15 - 10/25	6,000,000	6,000,000	8.38
08/10/15	10/15 - 10/25	25,740	25,740	7.77
14/10/15	10/15 - 10/25	2,175,000	2,325,000	8.38
16/12/15	12/15 - 12/25	300,000	300,000	8.38
01/02/16	02/16 - 02/26	150,000	150,000	8.38
18/02/16	02/16 - 02/26	-	900,000	8.38
01/05/17	05/17 - 05/27	150,000	150,000	8.75
16/06/17	06/17 - 06/27	300,000	300,000	8.88
01/05/18	05/18 - 05/28	11,000,000	11,000,000	11.5
24/12/18	12/18 - 12/28	1,000,000	1,000,000	11.7
13/5/19	05/19 - 05/29	250,000	-	12.0
14/6/19	06/19 - 06/29	250,000	-	12.0
		41,755,740	43,230,740	

**Notes (continued)**

**Employee benefits (continued)**

Inputs into the Monte Carlo and Black-Scholes option pricing were as follows:

	2019	2018
Weighted average share price in pence	8.38	8.38
Weighted average exercise price in pence	8.1	8.1
Expected volatility	20.0%	20.0%
Expected life in years	Up to 7 years	Up to 7 years
Risk-free rate	0.3% - 1.8%	0.3% - 1.8%
Dividend yield	0.3%	0.3%
Fair value of options granted in pence	1.5 - 1.8	1.5 - 1.8

All share options were extinguished post year end upon Divitias Bidco Limited's acquisition of the Group on 27 January 2020.

**22 Deferred tax assets and liabilities**

*Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

	Assets 2019 £	2018 £	Liabilities 2019 £	2018 £	Net 2019 £	Net 2018 £
Tangible fixed assets	-	19,992	(51,082)	-	(51,082)	19,992
Short term timing differences	31,349	7,796	-	-	31,349	7,796
	<b>31,349</b>	<b>27,788</b>	<b>(51,082)</b>	<b>-</b>	<b>(19,733)</b>	<b>27,788</b>

*Movement in deferred tax during the year*

	1 January 2019 £	Recognised in income £	31 December 2019 £
Tangible fixed assets	19,992	(71,074)	(51,082)
Short term timing differences	7,796	23,553	31,349
	<b>27,788</b>	<b>(47,521)</b>	<b>(19,733)</b>

*Movement in deferred tax during the prior year*

	1 January 2018 £	Recognised in income £	31 December 2018 £
Tangible fixed assets	(6,174)	26,166	19,992
IFRS transition	79,426	(79,426)	-
Short term timing differences	2,804	4,992	7,796
	<b>76,056</b>	<b>(48,268)</b>	<b>27,788</b>

## Notes (continued)

### 23 Capital and reserves

#### Share capital

	2019	Ordinary shares
	£	2018
		£
<i>Allotted, called up and fully paid</i>		
7,482,180 Ordinary shares of 10p each	748,218	748,218
	<hr/>	<hr/>
	748,218	748,218

Ordinary shares are entitled to one vote per share.

### 24 Commitments

#### Capital commitments

As at 31 December 2019 £nil (2018: £nil) of capital expenditure has been contracted for but not included in plant and equipment.

### 25 Related parties

Transactions between Nasstar Group Limited and other 100% subsidiaries of the Nasstar plc group, which are related parties, have not been disclosed in line with the exemption in FRS 101.8(k).

During the year, the following companies are considered to be related parties:

- Brownwood LLP as S Brown, N Redwood, NJ Redwood and DTA Redwood are all members.

During the year, Brownwood LLP made sales of £264,519 (2018: £102,406) to Nasstar Group Limited. At 31 December 2019, Nasstar Group Limited owed a purchase ledger credit balance of £73,102 (2018: £5,443) to Brownwood LLP.

During the year, Nasstar Group Limited made sales of £27,102 (2018: £Nil) to Brownwood LLP. At 31 December 2019, Brownwood LLP owed a balance of £32,523 (2018: £Nil) to Nasstar Group Limited.

### 26 Post balance sheet events

On 27 January 2020 100% of Nasstar Limited (formerly Nasstar plc), the immediate parent company, was acquired by Divitias Bidco Limited, a Company which is part of the Divitias Midco Limited Group.

The impact of COVID 19 has created some level of uncertainty as to the outlook for the next 12 months. Should it become apparent that sales orders, revenue and/or cash collections are being significantly affected by a slowdown in the markets in which the Group operates, the Directors will undertake a further review on discretionary expenditure and capital investment to protect the Group's cash position.

The Group will, as part of its usual period end reporting process, conduct impairment reviews across all cash generating units. The process will be informed by any impact arising from challenging trading environments and macro economic weakness, exacerbated by the uncertainty created by COVID 19.

There is the potential should macro economic weakness persist, for write down of goodwill and investment valuation alongside increases in bad debt provisions and write offs should customers enter financial difficulty.

We aim to mitigate this customer risk categorising customers as either paying in advance or by securing suitable credit insurance coverage on certain customers according to input from external credit agencies.

The Group continues to enjoy a positive liquidity position and is well positioned, given further opportunities for cost mitigation to cope with the current situation.

**Notes** *(continued)*

**27 Controlling party**

The Company is a subsidiary undertaking of Denara Holdings Limited, which is a subsidiary undertaking of Nasstar Limited (formerly Nasstar plc), incorporated in England and Wales, which was the ultimate parent company until 27 January 2020 when Nasstar Limited was acquired by Divitias Bidco Limited, a company also incorporated in England and Wales.

The results of the Company are included in Nasstar Limited group financial statements which are available to the public and can be obtained from [www.nasstar.com](http://www.nasstar.com).

The company's ultimate parent company is Divitias Holdco Limited. The registered address of the parent undertaking is Cambridge House, Le Truchot St, Peter Port, Guernsey, GY1 4BF.

The ultimate controlling party is Mayfair Equity Partners LLP through its fund Mayfair Nominees.