

Kalibrate Technologies Limited

Annual report and financial
statements

Registered number 02800886
30 June 2019



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Strategic report

Principal activities

The principal activity of the Company is the sale of petroleum retail pricing and network planning solutions and services to the petroleum retail and wholesale industries.

The Company's pricing solutions include intelligent software products and related services that optimise tactical pricing decisions for businesses selling to mass consumer markets. The products determine the prices to be set to meet our clients' strategic objectives in the most profitable manner. These strategic objectives could be sales volumes, customer acquisition, customer retention or profitability. Our planning solutions enable our customers to effectively manage their networks of outlets to meet their strategic and profit-making objectives.

Business review

Following the acquisition in 2017, review and restructuring of the business has continued incurring further one-off costs of \$3.0m (2018: Exceptional items: \$1.8m and Non-Cash Purchase Price Allocation Adjustments: \$8.4m). During the year to 30 June 2019 there was a decrease in turnover by 19.4% to \$7.9m (2018: \$9.8m) as a result of a fall in one off contracted work.

The existing banking facility of a \$10m RCF with a \$1m overdraft carveout was entered into in July 2018 with a two-year term, with that facility having less than 12 months to run the company entered into negotiations with HSBC to extend this facility.

In December 2019 the company agreed a \$25m facility with HSBC split into a \$10.5m loan facility repayable over 4 years, a 4 year \$7.5m Committed Acquisition Facility with any drawdowns repaid over a 2 year profile that cannot be redrawn and a 4 year term \$7m RCF.

Risk management

Risk management is a high priority. Processes are designed to identify, mitigate and manage risk. The Board of Directors are ultimately responsible for risk management. The principal risks facing the business, and the controls in place to mitigate these, are as follows:

Dependence on key executives and personnel

The Company continues to invest in applicable resources to ensure the success of both recruitment and onboarding of employees and subsequent training.

Competitive risk

The Company continues to dedicate significant research and development resource to the constant enhancement of our technology solutions and protects this intellectual property by securing patents where possible, thereby maintaining a competitive edge.

Credit risk

The Company's primary financial assets are bank balances, trade and other receivables. Bank balances are lodged with the sponsoring bank which carries a high credit rating. Trade and other receivables are shown net of provisions for doubtful receivables. The company has a good record of cash collection from its customer base.

Contract renewal and award

Whilst the Company invests in client relationship management, its rapid expansion could place strain on the quality of these services. As part of its current recruitment plan, the Company continues to add skilled resources in these areas.

Product risks

The Company continues to invest significantly in both people and quality control processes within its research and development teams in order to ensure high quality products which remain at the cutting edge for clients.

Strategic report (continued)

Risk management (continued)

Economic conditions and current economic weakness

The markets in which the Company offers its products and services are directly affected by many local and international factors that are also beyond the Company's control. The Company continuously reviews opportunities to diversify and broaden its product base in order to appeal to a wider clientele in a broader range of industries with an increased geographical diversity.

Currency risk

Whilst the Company changed its reporting currency to US Dollars to reduce currency risk, each company has its own local functional currency to reduce local currency translation risk. The Group retains Euro denominated revenues and a Sterling cost base from its UK workforce, hence significant changes to Sterling or Euro exchange rates against the US Dollar could impact on the Group's results.

Liquidity risk

The Company maintains and monitors cash and bank balances to ensure it has sufficient available liquid resources for it to operate.

Interest rate risk

The Company generates sufficient cash to service its bank loans under the current facility provided by the sponsoring bank. The Company regularly monitors forecast cash flows to ensure sufficient covenant headroom will be available in the future. The forecast cash flows take into account the potential for realistic movements in future LIBOR.

Brexit

The Board believes that Brexit will have minimal impact on the company. As a formal trade agreement with EU has not yet been finalised, the board continues to monitor the position.


COVID-19

The Board has considered the potential impact of Covid-19 and based on its current understanding of the situation it believes that there will be a minimal impact on the business. However, as the situation is constantly changing, the board will continue reviewing its position on a regular basis.

Outlook

The Company continues to support all its customers through the development and expansion of its software products and relationships. It is well placed to deliver the requirements demanded by its customers and the marketplace in which they operate.

By order of the board



Stephen Bacon
Director
16 April 2020

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 30 June 2019.

Directors

The directors who held office during the year were as follows:

M R Peacock
T A Russell
J Dhody
M B Hawtin
I R Thompson
S Bacon (appointed 31 January 2019)
G W McIlraith (appointed 26 July 2018 and resigned on 1 April 2019)
A J Hutcheson (resigned 18 December 2018)
A J Brown (resigned 31 January 2019)
A N Greatorex (appointed 21 May 2019)
A Siraj (appointed 1 April 2019)
B McCusker (appointed 1 April 2019 and resigned 27 August 2019)

Results and dividends

The results for the year are set out in the income statement on page 9.

No dividends were paid or proposed during the current or prior year.

Payments to suppliers

It is the company's policy to agree terms and conditions for its business transactions with its suppliers. The Company seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

Going concern

The directors have prepared the financial statements using the going concern basis, as the directors are satisfied that the Company have sufficient funds to continue trading for the foreseeable future.

Funding arrangements between the Group's sponsoring bank and the Company came into force.

The existing banking facility of a \$10m RCF with a \$1m overdraft carveout was entered into in July 2018 with a two-year term, with that facility having less than 12 months to run the company entered into negotiations with HSBC to extend this facility.

In December 2019 the company agreed a \$25m facility with HSBC split into a \$10.5m loan facility repayable over 4 years, a 4 year \$7.5m Committed Acquisition Facility with any drawdowns repaid over a 2 year profile that cannot be redrawn and a 4 year term \$7m RCF.

The directors have reviewed P&L and Cashflow forecasts together with sensitivities and their impact on covenants attached to the new funding arrangements for a period of at least 12 months from the date of approval of the financial statements in reaching their conclusion. The directors believe that the funding provided by its sponsoring bank provides sufficient working capital to deal with any funding needs through the period under review.

The Board has considered the potential impact of Covid-19 and based on its current understanding of the situation it believes that there will be a minimal impact on the business. However, as the situation is constantly changing, the board will continue reviewing its position on a regular basis. The business is a high recurring revenue business with contracts in place until 2024 with major fuel convenience retailers around the world and as such we do not envisage any material disruption to our core revenue streams.

Directors' report (continued)

Employment policies

The Company's policy is to consult and discuss with employees those matters likely to affect employees' interests.

The Company gives full and fair consideration for employment to people who are disabled and attempts to continue, wherever possible, the employment of employees who become disabled whilst employed by the Company.

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

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.



Stephen Bacon

Director
16 April 2020

Company registration number: 02800886

196 Deansgate
Manchester
M3 3WF
United Kingdom

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, 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), 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 of the company and of the 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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures discussed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to *going concern*; and
- use the going concern basis of accounting unless they either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company, and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Kalibrate Technologies Limited

Opinion

We have audited the financial statements of Kalibrate Technologies Limited ("the company") for the year ended 30 June 2019 which comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and Directors' report

The directors are responsible for the Strategic report and Directors' report. Our opinion on the financial statements does not cover those reports and, we do not express an audit opinion.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Kalibrate Technologies Limited (*continued*)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

Independent auditor's report to the members of Kalibrate Technologies Limited (*continued*)

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

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



Xavier Timmermans (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

16 April 2020

Income Statement
for year ended 30 June 2019

	Note	Year ended 30 June 2019 \$000	Year ended 30 June 2018 \$000
Continuing operations			
Revenue	1,2	7,904	9,812
Cost of Sales		(3,590)	(2,928)
Gross Profit		4,314	6,884
Administrative expenses		(9,896)	(16,088)
Operating (loss)/profit before exceptional acquisition and restructuring related costs, depreciation and amortisation of intangibles (EBITDA Pre-Exceptional Items)		(27)	3,152
Amortisation of intangibles and depreciation costs	7,8	(2,530)	(2,136)
Non-Cash Purchase price allocation adjustment	3	-	(8,361)
Restructuring	3	(3,025)	(1,859)
Operating loss	3	(5,582)	(9,204)
Financial income	5	2	5
Financial expenses	5	(350)	(53)
Loss before tax		(5,930)	(9,252)
Taxation credit/(charge)	6	30	(25)
Loss for the year		(5,900)	(9,277)

The notes on pages 13 to 32 form an integral part of the financial statements.

Statement of Comprehensive Income
for the year ended 30 June 2019

	Note	Year ended 30 June 2019	Year ended 30 June 2018
		\$000	\$000
Loss for the year		(5,900)	(9,277)
Items that are or may be reclassified subsequently to profit or loss:			
Currency translation differences		(294)	(320)
Total comprehensive expense for the year		(6,194)	(9,597)

The notes on pages 13 to 32 form an integral part of the financial statements.

Balance Sheet
at 30 June 2019

	Note	2019 \$000	2018 \$000
Fixed assets			
Property, plant and equipment	7	784	742
Intangible assets	8	4,921	2,895
Investments	9	16,380	12
Deferred tax assets	10	-	868
		<u>22,085</u>	<u>4,517</u>
Current assets			
Trade and other receivables	11	13,464	29,221
Contract assets	2	70	1,245
Cash and cash equivalents	12	380	522
		<u>13,914</u>	<u>30,988</u>
Creditors: Amounts falling due within one year	2, 13, 14	(29,306)	(22,626)
		<u>(15,392)</u>	<u>8,362</u>
Net (liabilities)/assets		(15,392)	8,362
Total assets less current liabilities		6,693	12,879
Creditors: Amounts falling due after more than one year			
Interest bearing loans and borrowings	14	(354)	(394)
		<u>(354)</u>	<u>(394)</u>
Net assets		6,339	12,485
		<u>6,339</u>	<u>12,485</u>
Capital and reserves			
Share capital	15	137	137
Share premium		12,596	12,596
Foreign exchange reserve		(3,076)	(2,759)
Retained earnings		(3,318)	2,511
		<u>6,339</u>	<u>12,485</u>
Shareholders' funds		6,339	12,485
		<u>6,339</u>	<u>12,485</u>

The notes on pages 13 to 32 form an integral part of the financial statements.

These financial statements were approved by the board of directors on 16 April 2020 and were signed on its behalf by:



Stephen Bacon
Director

Company registered number: 02800886

Statement of Changes in Equity
for the year ended 30 June 2019

	Share capital	Share premium	Other reserve	Foreign exchange reserve	Retained earnings	Total equity
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 July 2017	129	9,469	412	(2,439)	11,662	19,233
Loss for the period	-	-	-	-	(9,277)	(9,277)
Impact of Accounting Policy change	-	-	-	-	126	126
Transactions with owners						
Exercise of options	8	3,127	(412)	-	-	2,723
Other comprehensive income						
Currency translation differences	-	-	-	(320)	-	(320)
Balance at 30 June 2018	137	12,596	-	(2,759)	2,511	12,485
Loss for the period	-	-	-	-	(5,900)	(5,900)
Impact of Accounting Policy change	-	-	-	-	48	48
Other comprehensive income						
Currency translation differences	-	-	-	(317)	23	(294)
Balance at 30 June 2019	137	12,596	-	(3,076)	(3,318)	6,339

The notes on pages 13 to 32 form an integral part of the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Kalibrate Technologies Limited (“the Company”) is a private company incorporated, domiciled and registered in England in the UK. The registered number is 02800886 and the registered address is 196 Deansgate, Manchester, United Kingdom, M3 3WF.

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 Company’s ultimate parent undertaking, Canterbury Acquisition Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Canterbury Acquisition Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 25 Savile Row, London, United Kingdom, W1S 2ER.

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, intangible assets and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management; and
- The effects of new but not yet effective IFRSs.

As the consolidated financial statements of the ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosure:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The directors have prepared cash flow forecasts for a period of 15 months from the date of approval of these financial statements, which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, to meet its liabilities as they fall due for that period.

The company relies on its banking facility with HSBC for its working capital requirements, as detailed further in note 20, Subsequent Events. This facility has associated covenants that, if breached, could cause repayment on demand.

The directors have considered the potential impact of COVID-19 in reviewing the revenue base (including the contracted recurring revenue and potential pipeline of opportunities) as well as the associated cost base. The business has a high recurring revenue base, including long term contracts with major fuel and convenience retailers around the world. The company has low customer churn rates due to its products being operationally embedded in its clients’ analytics, decision making and Point of Sale software. As a result of this, it is forecast that any contracts that may come up for renewal during the next 15 months will be renewed. Due to this contracted revenue base, the directors do not envisage any material disruption to the company’s core revenue streams.

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern (continued)

Even upon running a number of alternative scenarios, including a severe but plausible downside case whereby the global economy takes between six to nine months to recover from the impacts of COVID-19 resulting in a delay to closing pipeline opportunities with potential clients and no associated cost reductions, the company is forecast to have sufficient cash headroom and remain in compliance with the bank facility covenants. However in the severe but plausible downside case, the level of cash headroom is relatively modest. Should the company experience further downside beyond that, appropriate mitigations would be implemented in conjunction with support from the company's shareholders.

As such, based on its current understanding of the situation, the Board believes that COVID-19 will have a minimal impact on the business, albeit as the situation is constantly changing, the board will continue reviewing its position on a regular basis.

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

1.3 Foreign currency

Financial statements are prepared under the functional currency of US dollar, despite the Company's debt being denominated in US dollar and share capital being denominated in Sterling, due to the majority of daily transactions within the Group being denominated in US dollar, such that the US dollar is considered to be the primary economic environment impacting the Company.

Transactions in foreign currencies are translated to the respective functional currencies of the Company 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.

The revenues and expenses are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

1.4 Leases

The Company has early adopted IFRS 16 Leases with a date of initial application of 1 July 2017. At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Notes (continued)

1 Accounting policies (continued)

1.4 Leases (continued)

To assess whether a contract conveys the right to control the use of an asset, the Company assesses whether:

- The contract involves the use of an identified asset, this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all the capacity of a physically distinct asset;
- The Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
 - The Company has the right to operate the asset; or
 - The Company designed the asset in a way that predetermines how and for what purpose it will be used.

The Company recognises a right of use an asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight-line method from commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments.

The Company presents right of use assets within "Property, plant and equipment" and lease liabilities in "Loans and borrowings" in the Balance Sheet.

Short term leases

The Company has elected not to recognise right of use assets and lease liabilities for short term leases that have a term of less than 12 months. The Company recognises the lease payments associated with the leases as an expense on a straight-line basis over the lease term.

1.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Notes (continued)

1 Accounting policies (continued)

1.5 Non-derivative financial instruments (continued)

Cash and cash equivalents

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

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

1.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which the cost is incurred.

Depreciation is provided at rates calculated to write off the cost of property, plant and equipment on a straight-line basis over their estimated useful lives, having regard to residual value. The estimated useful lives are as follows:

Computer equipment	3 years
Furniture, fixtures and equipment	3 years
Leasehold property improvements and right of use assets	over the term of the lease

The residual values and useful lives of the assets are reviewed and adjusted, if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within operating expenses in the Statement of Comprehensive Income.

1.7 Intangible assets

Internally generated software

Expenditure on software development activities is capitalised if the product or process is technically feasible, commercially marketable, the costs are separately identifiable and reliably measurable, and the Company intends to, and has sufficient resources to, complete development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria above. Where no internally generated intangible asset can be recognised, development expenditure is charged to the Statement of Comprehensive Income in the year in which it is incurred. Amortisation is recorded once the asset is brought into use.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recorded on a straight-line basis over the useful life of the asset which is assessed individually as between three and five years.

Computer software

Purchased software is recorded at historical cost less accumulated amortisation. Amortisation is recorded on a straight-line basis over the asset's expected useful life of three to five years.

Notes (continued)

1 Accounting policies (continued)

1.7 Intangible assets (continued)

Research

Research expenditure is recognised as an expense in the year in which it is incurred.

1.8 Impairment excluding deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.9 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.

Notes (continued)

1 Accounting policies (continued)

1.9 Employee benefits (continued)

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.

1.10 Revenue

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a service to a customer.

The following is a description of principal activities separated by reportable revenue streams from which the Company generates its revenue. For more detail see note 2.

Pricing

Revenues from perpetual software licence agreements, are recognised on a straight-line basis over the life of other non-distinct areas of the contract. Revenue under fixed-term subscription licence agreements are recognised on a straight-line basis over the life of the contract.

Professional services include implementation fees, consultancy and training. Revenues and costs derived from fixed fee contracts for consultancy are distinct from the software provision as the consultancy does not determine the use of the software and vice-versa and are recognised over the period in which each individual contract is delivered. Provisions for any estimated losses on incomplete contracts are made in the year in which the loss is anticipated. Professional service revenues for implementation and training are recognised over the same period as the associated software licence to which they relate.

Planning

Revenues from network planning contracts for which the duration is more than six weeks are recognised based on milestones completed. All other revenue from network planning contracts is recognised upon completion of the contracted service. Revenues from maintenance and support services are recognised over the period that the services are provided on a straight-line basis. Payments received in advance of services performed are recorded as deferred income and vice versa.

Revenues from royalty arrangements are recognised only once the actual revenue to be recognised is ascertained.

Contract Costs

Contract costs associated with the implementation of software are recognised on a straight-line basis over the life of other non-distinct areas of the contract.

Notes (continued)

1 Accounting policies (continued)

1.11 Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

1.12 Taxation

Tax on the profit or loss for the period 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, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, 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 assets or liabilities that affect neither accounting nor taxable profit other than in a business combination. 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.

1.13 Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. See note 21.

2 Revenue

All of the Company's revenues were generated from the principal activities of the Company, the geographical spread of revenue is presented below:

	Year ended 30 June 2019 \$000	Year ended 30 June 2018 \$000
Europe	5,550	6,635
North America	564	172
Rest of the World	1,790	3,005
	<hr/>	<hr/>
	7,904	9,812
	<hr/>	<hr/>

Notes (continued)

2 Revenue (continued)

All of the Company's revenues were generated from the principal activities of the Company, the spread between the three distinct revenue streams is presented below:

	Year ended 30 June 2019 \$000	Year ended 30 June 2018 \$000
Pricing	7,568	9,026
Planning	307	786
Insights	29	-
	<u>7,904</u>	<u>9,812</u>
	Year ended 30 June 2019 \$000	Year ended 30 June 2018 \$000
Receivables, which are included in trade and other receivables	1,519	2,016
Contract assets	70	1,245
Contract liabilities	(3,422)	(3,286)
	<u>(1,833)</u>	<u>(25)</u>

The contract assets primarily relate to the rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advance consideration received from customers for Pricing contracts, for which revenue is recognised in a straight line over the life of the license provided or associated contract length for other key services.

Significant changes in the contract assets and contract liabilities balances during the year are as follows.

	Year ended 30 June 2019 \$000		Year ended 30 June 2018 \$000	
	Contract Assets	Contract liabilities	Contract Assets	Contract liabilities
Increase due to cash received, excluding amounts recognised as revenue during the year	-	(136)	-	272
Transfers from contract assets recognised at beginning of the year to receivables	(1,175)	-	340	-
	<u></u>	<u></u>	<u></u>	<u></u>

Notes (continued)

3 Operating loss

Loss from operations has been arrived at after charging

	Year ended 30 June 2019 \$000	Year ended 30 June 2018 \$000
Depreciation of property, plant and equipment	296	210
Amortisation of intangible assets	2,234	1,926
Research and development as incurred	4,345	4,059
Restructuring	3,025	1,859
	<u> </u>	<u> </u>

During the year, the company incurred \$3.0 million of restructuring costs including professional fees and legal advisory fees, which are not expected to recur in future years.

Exceptional Costs:

	Note	Year ended 30 June 2019 \$000	Year ended 30 June 2018 \$000
Professional advisor fees		2,215	1,338
Redundancy and severance costs		602	210
Other restructuring costs		208	311
		<u> </u>	<u> </u>
Restructuring costs		3,025	1,859
<i>Non-Cash Purchase price allocation adjustment</i>			-
Write off of intangible assets	(i)	-	5,664
Accrual for onerous contracts and other liabilities	(ii)	-	1,971
Other Non-Cash Purchase price allocation adjustment	(iii)	-	726
		<u> </u>	<u> </u>
		-	8,361
		<u> </u>	<u> </u>
		3,025	10,220
		<u> </u>	<u> </u>

Non-Cash Purchase price allocation adjustments relate to a fair value review being undertaken on the assets and liabilities of the company following its acquisition by Canterbury Acquisitions Limited. These include:

- i. Changes in the strategic direction of the business meant certain costs on specific products and projects previously capitalised did not have demonstrable value and so were written down accordingly.
- ii. Better visibility and a more prudent view on the overall delivery costs on certain contractual obligations gave rise to a provision for onerous contracts.
- iii. Better visibility and a more prudent view on the overall recoverability of other receivables.

Notes (continued)

3 Operating loss (continued)

Auditor's remuneration:

During the year the company obtained the following services from the Company's auditors at costs as detailed below:

	Year ended 30 June 2019 \$000	Year ended 30 June 2018 \$000
Audit of these financial statements	10	10

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent.

4 Employees and directors

The average number of persons employed by the company (including directors) during the year was as follows:

	Number of employees Year ended 30 June 2019	Number of employees Year ended 30 June 2018
Research and development	39	33
Sales and marketing	8	5
Professional services	16	12
Administrative and management	22	13
	<u>85</u>	<u>63</u>

Notes (continued)

4 Employees and directors (continued)

The aggregate payroll costs of these persons were as follows:

	Year ended 30 June 2019 \$000	Year ended 30 June 2018 \$000
Wages and salaries	7,213	5,746
Social security costs	69	148
Pension costs	271	198
	<u>7,553</u>	<u>6,092</u>
	Year ended 30 June 2019 \$000	Year ended 30 June 2018 \$000
Key management compensation		
Salaries and short-term employee benefits	1,893	1,069
Post employment benefits	57	48
	<u>1,950</u>	<u>1,117</u>

Key management compensation for the Company includes the Board of the Company and senior executives within the Company.

	Year ended 30 June 2019 \$000	Year ended 30 June 2018 \$000
Directors		
Aggregate emoluments		
Salaries and short-term employee benefits	667	393
Post employment benefits	-	24
	<u>667</u>	<u>417</u>
Remuneration of highest paid director		
	<u>667</u>	<u>417</u>

5 Finance income and expense

Recognised in profit or loss

	Year ended 30 June 2019 \$000	Year ended 30 June 2018 \$000
Interest on bank deposits	2	5
	<u>2</u>	<u>5</u>
Total finance income		
	<u>2</u>	<u>5</u>
Interest charged on lease liability	26	24
Charges on loans	324	29
	<u>350</u>	<u>53</u>

Notes (continued)

6 Taxation

Recognised in the income statement

	Year ended 30 June 2019 \$000	Year ended 30 June 2018 \$000
UK Corporation Tax		
Current year tax	(923)	161
Prior year tax	48	-
Total current tax	(875)	161
Deferred tax		
Current year tax	1,197	(136)
Prior year tax	(352)	-
Total deferred tax	845	(136)
Total tax (credit)/charge	(30)	25

Reconciliation of effective tax rate

	Year ended 30 June 2019 \$000	Year ended 30 June 2018 \$000
Loss before tax	(5,930)	(9,252)
Tax using the UK corporation tax rate of 19% (2018: 19%)	(1,127)	(1,758)
Credit for research and development	(367)	(364)
Overseas tax and withholdings	107	77
Adjustment in relation to prior year	(304)	-
Tax rate differences	120	-
Current year losses for which no deferred tax recognised	470	1,307
Effects of unrecognised temporary differences	1,071	763
Total tax (credit)/charge	(30)	25

Factors that may affect future current and total tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 30 June 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset balance would not have changed.

Notes (continued)

7 Property, plant and equipment

	Leasehold property improvements \$000	Right of use asset \$000	Computer equipment \$000	Furniture and fixtures, and office equipment \$000	Total \$000
Cost					
Balance at 30 June 2018	476	708	1,996	56	3,236
Additions	25	220	88	31	364
Disposals	-	-	-	-	-
Foreign exchange	(16)	(28)	(69)	(2)	(115)
	<u>485</u>	<u>900</u>	<u>2,015</u>	<u>85</u>	<u>3,485</u>
Depreciation and impairment					
Balance at 30 June 2018	374	142	1,933	45	2,494
Depreciation charge for the year	28	210	50	8	296
Foreign exchange	(14)	(9)	(64)	(2)	(89)
	<u>388</u>	<u>343</u>	<u>1,919</u>	<u>51</u>	<u>2,701</u>
Net book value					
At 30 June 2019	<u>97</u>	<u>557</u>	<u>96</u>	<u>34</u>	<u>784</u>
At 30 June 2018	<u>102</u>	<u>566</u>	<u>63</u>	<u>11</u>	<u>742</u>

The Company leases property and classes this as a Right of use asset and has applied IFRS 16 in the current financial year. Information about the leases for which the Company is a lessee is presented below.

	Property \$000
Balance at 1 July 2018	566
Additions	220
Depreciation charge in the year	(210)
Foreign exchange	(19)
	<u>557</u>
Balance at 30 June 2019	<u>557</u>

Notes (continued)

8 Intangible assets

	Computer software \$000	Internally generated software \$000	Total \$000
Cost			
Balance at 30 June 2018	1,142	7,671	8,813
Additions	58	4,287	4,345
Foreign exchange	(40)	(273)	(313)
	<u>1,160</u>	<u>11,685</u>	<u>12,845</u>
Amortisation and impairment			
Balance at 30 June 2018	1,064	4,854	5,918
Amortisation for the year	2	2,232	2,234
Foreign exchange	(37)	(191)	(228)
	<u>1,029</u>	<u>6,895</u>	<u>7,924</u>
Net book value			
At 30 June 2019	<u>131</u>	<u>4,790</u>	<u>4,921</u>
At 30 June 2018	<u>78</u>	<u>2,817</u>	<u>2,895</u>

Amortisation and impairment charge

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

	2019 \$000	2018 \$000
Administrative expenses	<u>2,234</u>	<u>1,926</u>

9 Investments

	Assets Year Ended 30 June 2019 \$000	Assets Year Ended 30 June 2018 \$000
Long term debt in subsidiary	16,369	-
Investment in subsidiaries	11	12
	<u>16,380</u>	<u>12</u>

Notes (continued)

9 Investments (continued)

Subsidiary companies	Country of incorporation	Per cent interest in ordinary shares at 30 June 2019	Principal activity
Knowledge Support Systems Licensing Limited	UK	100	Intermediate holding company
Knowledge Support Systems Inc.	USA	100*	Pricing and planning
Market Planning Solutions Inc.	USA	100*	Pricing, planning & insights
MPSI Systems Japan Co Ltd	Japan	100*	Planning
MPSI Systems Limited	UK	100*	Planning
Kalibrate Australia Pty Limited	Australia	100*	Pricing and planning
MPSI Systems Canada, Inc.	Canada	100*	Planning
Kalibrate Software (Shanghai) Co Ltd	China	100*	Pricing and planning
MPSI International, Inc.	USA	100*	Planning
MPSI Systems Pte Limited	S. Korea	100*	Planning
MPSI Africa Limited Inc	USA	100*	Planning
Kalibrate Strategic Advisory Services India LLP	India	75*	Pricing and planning
Kalibrate Technologies (Canada) Limited	Canada	100%*	Intermediate holding company
Kent Group Limited	Canada	100%*	Planning

* Indirect holding.

In the opinion of the Directors, the investments in and amounts due from the Company's subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet. The subsidiary companies registered offices were as follows:

Country	Companies	Registered office address
United Kingdom	Kalibrate Technologies Ltd Knowledge Support Systems Licensing Limited MPSI Systems Limited	196 Deansgate, Manchester, M3 3WF, UK
USA	Knowledge Support Systems Inc	820 Bear Tavern Road, West Tenton, NJ 08628, USA
USA	Market Planning Solutions Inc MPSI International, Inc MPSI Africa Limited Inc	1833 South Morgan Road, Oklahoma City, OK 73128, USA
Japan	MPSI Systems Japan Co Ltd	Shukaen Bldg, 3F, 11-1 Komazawa 2 Chome Setagaya-Ku, Tokyo 154-0012, Japan
Australia	Kalibrate Australia Pty Limited	Addisons, Level 12, 60 Carrington Street, Sydney NSW 2000
Canada	MPSI Systems Canada, Inc Kalibrate Technologies (Canada) Limited	Borden Ladner Gervais LLP, 22 Adelaide Street West, Suite 3400, Toronto, Ontario, M5H 4E3 CANADA
Canada	Kent Group Limited	367 Princess Ave, London, Ontario N6B 2A7, Canada
China	Kalibrate Software (Shanghai) Co Ltd	12F, No. 331 North Caoxi Rd, Bldg A, CCIG International Plaza Shanghai, China
South Korea	MPSI Systems Pte Limited	13, 1303-dong, 1202, Hyunjung-ro, Western Ilsan, Gyeonggi-do
India	Kalibrate Strategic Advisory Services India LLP	8th Floor, Raheja Centre, Free Press Journal Marg, 214 Nariman Point Mumbai, 400021

Notes (continued)

10 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2019 \$000	Assets 2018 \$000
Property, plant and equipment	-	332
Tax losses	-	-
Other temporary differences	-	536
	<hr/>	<hr/>
Tax assets	-	868
	<hr/> <hr/>	<hr/> <hr/>

Movement in deferred tax during the current year

	30 June 2018 \$'000	Recognised in equity \$000	Recognised in income \$000	30 June 2019 \$000
Property, plant and equipment	332	20	(352)	-
Tax losses	-	-	-	-
Other temporary differences	536	(43)	(493)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	868	(23)	(845)	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The company has estimated losses of £13,788,384 available for carry forward against future trading profits. No deferred tax asset has been recognised due to the uncertainty of generating future taxable profits.

11 Trade and other receivables

	2019 \$000	2018 \$000
Trade receivables	1,519	2,016
Amounts due from subsidiaries	9,547	26,095
Tax receivables	1,340	286
Other receivables	680	727
Prepayments	378	97
	<hr/>	<hr/>
	13,464	29,221
	<hr/> <hr/>	<hr/> <hr/>

Amounts due from subsidiaries are payable upon demand.

Notes (continued)

12 Cash and cash equivalents

	2019 \$000	2018 \$000
Cash and cash equivalents per balance sheet	380	522
Cash and cash equivalents	<u>380</u>	<u>522</u>

13 Trade and other payables

	2019 \$000	2018 \$000
Trade payables	1,339	1,347
Amounts due to subsidiaries	13,805	14,290
Other tax and social security payable	530	246
Accruals	1,453	2,584
Deferred Income	3,423	3,286
Interest bearing loans and borrowings (note 14)	8,756	873
	<u>29,306</u>	<u>22,626</u>

Amounts due to subsidiaries are payable upon demand.

14 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 \$000	2018 \$000
Current liabilities		
Related party loans	-	658
Lease liability	124	115
Property loan	65	100
Overdraft and RCF	8,567	-
	<u>8,756</u>	<u>873</u>
Non-current liabilities		
Lease liability	354	394
	<u>9,110</u>	<u>1,267</u>

Notes (continued)

14 Interest-bearing loans and borrowings (continued)

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2019 \$000	Carrying amount 2019 \$000
Overdraft and RCF	\$	2.75%	June 2020	8,567	8,567
Lease liability	£	4%	Jan 2019 - Jun 2022	685	478
Property loan	£	3%	June 2021	65	65
Loans				<u>9,317</u>	<u>9,110</u>

Operating leases

The Company leases an office under a non-cancellable operating lease arrangement. At the balance sheet date, the Company had annual outstanding commitments for future minimum lease payments under non-cancellable operating lease as follows:

	Company Land and buildings \$000
Within one year	228
Between one and five years	457
More than five years	-
Total undiscounted lease liabilities at 30 June 2019	<u>685</u>
Lease liabilities included in the statement of financial position	<u>478</u>
Current	124
Non-current	354
Amounts recognised in profit and loss	\$000
Interest on lease liabilities	(26)

Notes (continued)

15 Share capital

	Number of ordinary shares	\$000
Issued, called up and fully paid		
At 1 July 2017	33,881,474	129
Share issue (on exercise)	3,274,569	8
	<hr/>	<hr/>
At 30 June 2019 and 2018	37,156,043	137
	<hr/> <hr/>	<hr/> <hr/>

During the fiscal year, there were no shares were exercised (2018: 3,274,569).

16 Commitments

There were no commitments at 30 June 2019.

17 Contingent liabilities

The company had no contingent liabilities at 30 June 2019.

18 Related parties

With respect to related party transactions between the Company and entities affiliated with Hanover Investors Management LLP (together, "Hanover"), the independent members of the Company's Operating Board pre-approved any transactions on the basis of a written proposal including where relevant a statement of work, fee proposal, and benchmark analysis. During this approval process, the Hanover-related Directors recused themselves from the voting.

In April 2018 Hanover Active Equity Fund LP provided an interest free £500,000 loan to Kalibrate Technologies Limited repayable in September 2018 with a £30,000 arrangement fee, In July 2018 this loan was fully repaid.

19 Controlling party

Following the acquisition of Kalibrate Technologies Limited in 2017, the Company is a subsidiary undertaking of Canterbury Acquisition Limited, which is the parent company and, incorporated in the United Kingdom.

Canterbury Acquisition Limited is a subsidiary undertaking of Hanover Active Equity Fund LP, which is incorporated in the Cayman Islands, and is controlled by its parent and its connected parties. The largest group in which the results of the Company are consolidated is that headed by Canterbury Acquisition Limited, 25 Savile Row, London, United Kingdom, W1S 2ER. The consolidated financial statements of Canterbury Acquisition Limited are available to the public and may be obtained from 25 Savile Row, London, United Kingdom, W1S 2ER.

Notes (continued)

20 Subsequent events

The existing banking facility of a \$10m RCF with a \$1m overdraft carveout was entered into in July 2018 with a two-year term, with that facility having less than 12 months to run the company entered into negotiations with HSBC to extend this facility.

In December 2019 the company agreed a \$25m facility with HSBC split into a \$10.5m loan facility repayable over 4 years, a 4 year \$7.5m Committed Acquisition Facility with any drawdowns repaid over a 2 year profile that cannot be redrawn and a 4 year term \$7m RCF.

21 Accounting estimates and judgements

Many of the amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial statements and the key areas are summarised below:

Critical accounting assumptions and estimates

- (a) Fair value assessment of the assets and liabilities following a business combination. Following the acquisition of Kalibrate Technologies Limited and its subsidiaries by Canterbury Acquisition Limited, an assessment of all assets and liabilities took place, with some fair value adjustments being made to non-cash assets and liabilities. To the extent they relate to this company, adjustment is required.
- (b) Carrying value of internally generated software. The Company performs an annual assessment of whether carrying value of any internally generated software assets requires impairment. This annual assessment includes a number of key assumptions including technical feasibility and expected profitability of the newly developed software and also considers the appropriateness of costs capitalised into internally generated software.
- (c) Judgement is required in determining the provision for income taxes. There are many transactions and calculations whose ultimate tax treatment is uncertain. The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes are likely to be due. The Company recognises deferred tax assets and liabilities based on estimates of future taxable income and recoverability. Where a change in circumstance occurs, or the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax balances in the year in which that change or outcome is known.

Sources of estimation uncertainty

- (d) Depreciation and amortisation rates are based on estimates of the useful lives and residual values of the assets involved. The carrying value of property, plant and equipment is \$784,000 (2018: \$742,000) (see note 7) and intangible assets are \$4,921,000 (2018: \$2,895,000) (see note 8).