Purepromoter Limited

Annual Report and Financial Statements

Year Ended

31 March 2020

Company Number 04266410

Purepromoter Limited

Contents

Purepromoter Limited

Company Information

Directors	D J Sneddon D T Kelly P M Neeson M Ash
Registered number	04266410
Registered office	Units A-E Level 3 South New England House Brighton East Sussex BN1 4GH
Independent auditor	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL

Purepromoter Limited

Strategic Report
For the Year Ended 31 March 2020

The directors present their strategic report together with the audited financial statements for the year ended 31 March 2020.

Fair review and performance

Recognised revenue for FY20 fell from £5,701k to £5,421k but reflects a period of repositioning for the business.

Over the course of 2019, a series of initiatives were successfully undertaken and have led to an improvement in customer retention and new business development and has provided the organisation with a platform for scalable growth which it envisages over FY21.

Whilst the business continued to invest in the development of the Pure360 platform leading to the release of new functionality, operating losses decreased significantly from (£1,449k) to (£486k) driven by better cost management and an increase in ARPU.

Technology teams have been reorganised and infrastructure improvements made to increase platform stability whilst product delivery has increased with the release of a number of new modules including an integration hub, data analytics solution and journey builder. In November, the product suite was re-branded bringing together different modules into one easy to use interface. The sales team has also been rebuilt and has established a more effective pipeline management framework and more competitive market proposition which has led to an increase in sales opportunities.

Gross Margin is currently 70% and expected to increase over FY21 as a result of increased investment and higher utilisation of our core products. We will continue to support existing partnerships and will be looking to develop new partnerships where they add value to our solution and support our customers marketing efforts.

Over FY20, we continued the optimisation of our customer success operation, restructuring the team to provide our customers with greater access to the support they need to drive higher campaign performance. We also improved the range of content available in Pure Academy, a training initiative providing our customers access to a range of training courses, workshops and materials to support best practice and knowledge development.

Principal risks and uncertainties

Covid-19
The spectacle of Covid-19 has had a marked impact on the business leading to a decline in new business performance and base revenues during the affected period, largely the result of decreased email campaign activity from the later part of February 2020 onwards. However, at the start of the crisis, the business quickly undertook detailed financial scenario planning and in April enacted cash protection measures to safeguard cash flow in the event of a significant sustained impact to cash and revenue into the business due to the Covid-19 crisis.

Whilst we have seen a marked slowdown in email activity and new business performance, the decline has remained well within the stress test tolerances identified during scenario planning. Some clients have actually increased activities, whilst others, notably in travel and retail, have conversely seen a decrease. Fortunately, the business is diversified across a number of sectors and does not have any reliance on any single industry vertical or client.

Our careful scenario planning and adaptation to market conditions has meant that the business has continued to perform in line with our expectations. The impact to the business has been measured but in no way critical. Despite the slowdown, we are now beginning to see a slow return to normal campaign planning behaviours and we do not envisage a worsening of conditions beyond the level currently experienced. Business confidence is beginning to improve with an increase in new business evident in May and June and email volumes also beginning to increase. With the relaxation of retail and some travel restrictions on the 4th July, we expect to see an increase in activity to something approaching more normal base levels. Improvement is likely to be gradual and therefore we intend to make use of our cash protection measures for as long as they are needed.

As the country exits from lockdown, the business has taken time to reflect on the future needs of a changing marketplace and what we need to do to support and service our customers in the future. With this in mind, the business has drafted updated strategy plans to prepare each function within the business for life post Covid-19.

These plans envisage changes to our new business strategy and changes to our service model in order to be more adaptable and flexible to the different needs of our customer. We are also planning changes to our product roadmap to increase platform functionality, stability and security.

The Covid-19 crisis has created new impetus in the email marketing sector as marketers increase their preference for email as a safe haven for brand communication in times of crisis. This is reflected in a number of new business opportunities that we are pursuing and expect to materialise in the latter half of 2020.

We believe the benefits of the changes made last year alongside the contingency measures we have put in place provides a stable basis for Pure360 to see through the current crisis to a period of renewed optimism and prosperity. We feel confident that the business is well placed to see through this crisis.

Brexit Uncertainty
The impact continuing uncertainty over Brexit has been addressed through an audit conducted early in FY19 with quarterly updates provided thereafter. As a result of the very limited impact associated with our largely UK based business, the directors deem the risk to be very low.

Key performance indicators

We continue to focus on customer retention metrics, internal customer health scores and non-recurring and annualised recurring revenues as key performance indicators. All new customers join on either 12 or 24 month contracts and we continue to convert our existing customers to this more service orientated contract. We have increased the amount of revenue under contract to 63%.

Going concern

The financial statements have been prepared on the going concern basis as the directors have prepared detailed budgets for a period of at least 12 months from the date of signing the accounts which show that the group is expected to be able to meet all its liabilities as they fall due. In addition the group has support from its majority investor SEP IV, which has the ability to support the business if required. However, it is acknowledged that the global and UK outbreak of COVID-19 has had a profound impact on the global and UK economy and businesses. The directors have produced a detailed going concern stress test for Purepromoter Group (Holdings) Limited (which includes Purepromoter Limited). The conclusion of our stress test for Purepromoter Group (Holdings) Limited is that the business could comfortably sustain a significant loss of turnover during the course of the 12 months following the date of the financial statements, without exceeding current banking facilities. The company and the group may, however, require further funds to finance the group's activities going forward should the COVID-19 pandemic and consequential lockdown affect operations or impact market demand beyond its worst case stress test assumptions. It is feasible, given current levels of overall market uncertainty, that there could be a worsening impact on trade beyond June 2020 which would mean that such financial support becomes necessary.

These conditions indicate the existence of a material uncertainty that may cast significant doubt over the company's and the group's ability to continue as a going concern. However, the wider group is expected to remain in a strong financial position during the forecast period and a gradual return to the group's previous financial position is expected from at least July 2020 onwards. The directors are confident of being able to trade for a period of at least 12 months from the approval of the financial statements and the Directors have therefore concluded that it is appropriate for the financial statements to be prepared on the going concern basis.

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

M Ash
Director

Date: 16 July 2020

Directors' Report
For the Year Ended 31 March 2020

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

Principal activity

The principal activity of the company during the year was the provision of software and consultancy services to digital marketing professionals.

Business review

A review of the business and its principal risks and uncertainties is set out in the strategic report on pages 2 and 3 of the financial statements.

Results and dividends

The loss for the year, after taxation, amounted to £486,184 (2019 - loss £1,449,100).

Directors

The directors who served during the year were:

D J Sneddon
D T Kelly
P M Neeson
M Ash

Financial risk management objectives and policies

The company has adequate controls in place over expenditure and revenue recognition to adequately manage financial risk.

Research and development

In FY20 we invested £762k (2019 - £1,043k) behind our product.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

M Ash
Director

Date: 16 July 2020

Purepromoter Limited

Directors' Responsibilities Statement
For the Year Ended 31 March 2020

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Purepromoter Limited

Independent Auditor's report to the member of Purepromoter Ltd

---

Opinion

We have audited the financial statements of Purepromoter Limited ("the Company") for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the finacial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its loss 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.

Material uncertainty relating to going concern

We draw attention to note 1 which explains that the company may require further funds to finance the activities going forward should the COVID-19 pandemic affect operations causing revenue to fall below that forecast and expected in the next 12 months. Such support, in turn, depends on the ability of its majority investor SEP IV to provide funding should it be necessary.

These conditions indicate the existence of a material uncertainty, which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and 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 and 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

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

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 at the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilties. This description forms part of our auditor's report.

Independent Auditor's report to the member of Purepromoter Ltd (continued)

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 teh Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Malcolm Thixton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom

17 July 2020

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

Purepromoter Limited

Statement of Comprehensive Income
For the Year Ended 31 March 2020

	Note	2020 £	2019 £
Turnover	5	**5,421,152**	5,701,450
Cost of sales		**(1,598,267)**	(1,514,801)
Gross profit		**3,822,885**	4,186,649
Administrative expenses		**(4,810,134)**	(6,183,805)
R&D tax credit		**292,159**	310,170
Other operating income	6	**208,899**	237,886
Operating loss	7	**(486,191)**	(1,449,100)
Interest receivable and similar income		**7**	-
Loss before tax		**(486,184)**	(1,449,100)
Tax on loss	10	**-**	-
Loss for the financial year		**(486,184)**	(1,449,100)

There was no other comprehensive income for 2020 (2019:£NIL).

The notes on pages 14 to 25 form part of these financial statements.

Purepromoter Limited
Registered number:04266410

Statement of Financial Position
As at 31 March 2020

	Note	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Tangible assets	11		**34,628**		25,692
Current assets					
Debtors: amounts falling due within one year	12	**2,932,133**		3,106,937	
Bank and cash balances		**117,565**		215,905	
		3,049,698		3,322,842	
Creditors: amounts falling due within one year	13	**(6,454,093)**		(6,232,117)	
Net current liabilities			**(3,404,395)**		(2,909,275)
Total assets less current liabilities			**(3,369,767)**		(2,883,583)
Net liabilities			**(3,369,767)**		(2,883,583)
Capital and reserves					
Called up share capital	14		**465**		465
Share premium account	15		**9,975**		9,975
Profit and loss account	15		**(3,380,207)**		(2,894,023)
			(3,369,767)		(2,883,583)

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

M Ash
Director

Date: 16th July 2020

The notes on pages 14 to 25 form part of these financial statements.

Purepromoter Limited

Statement of Changes in Equity
For the Year Ended 31 March 2020

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2019	465	9,975	(2,894,023)	(2,883,583)
Comprehensive income for the year				
Loss for the year	-	-	(486,184)	(486,184)
Total comprehensive income for the year	-	-	(486,184)	(486,184)
At 31 March 2020	465	9,975	(3,380,207)	(3,369,767)

The notes on pages 14 to 25 form part of these financial statements.

Statement of Changes in Equity
For the Year Ended 31 March 2019

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2018	465	9,975	(1,444,923)	(1,434,483)
Comprehensive income for the year				
Loss for the year	-	-	(1,449,100)	(1,449,100)
Total comprehensive income for the year	-	-	(1,449,100)	(1,449,100)
At 31 March 2019	465	9,975	(2,894,023)	(2,883,583)

The notes on pages 14 to 25 form part of these financial statements.

1. Going concern

The financial statements have been prepared on the going concern basis as the directors have prepared detailed budgets for a period of at least 12 months from the date of signing the accounts which show that the group is expected to be able to meet all its liabilities as they fall due. In addition the group has support from its majority investor SEP IV, which has the ability to support the business if required. However, it is acknowledged that the global and UK outbreak of COVID-19 has had a profound impact on the global and UK economy and businesses. The directors have produced a detailed going concern stress test for Purepromoter Group (Holdings) Limited (which includes Purepromoter Limited). The conclusion of our stress test for Purepromoter Group (Holdings) Limited is that the business could comfortably sustain a significant loss of turnover during the course of the 12 months following the date of the financial statements, without exceeding current banking facilities. The company and the group may, however, require further funds to finance the group's activities going forward should the COVID-19 pandemic and consequential lockdown affect operations or impact market demand beyond its worst case stress test assumptions. It is feasible, given current levels of overall market uncertainty, that there could be a worsening impact on trade beyond June 2020 which would mean that such financial support becomes necessary.

These conditions indicate the existence of a material uncertainty that may cast significant doubt over the company's and the group's ability to continue as a going concern. However, the wider group is expected to remain in a strong financial position during the forecast period and a gradual return to the group's previous financial position is expected from at least July 2020 onwards. The directors are confident of being able to trade for a period of at least 12 months from the approval of the financial statements and the Directors have therefore concluded that it is appropriate for the financial statements to be prepared on the going concern basis.

2. General information

Purepromoter Limited is a private company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities is disclosed in the director's report.

3. Accounting policies

3.1 Basis of preparation of financial statements

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 4).

The following principal accounting policies have been applied:

3. Accounting policies (continued)

3.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Purepromoter Group (Holdings) Limited as at 31 March 2020 and these financial statements may be obtained from the company's registered office.

3.3 Revenue

Turnover principally comprises revenue recognised by the company in respect of e-mail and SMS credits, software services and professional services. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, exclusing discounts, rebates, VAT and other sales related taxes. The following specific policies exist across our various revenue streams:

E-mail and SMS credits
Revenue from the sale of e-mail and SMS credits is recognised as the credits are consumed by the customer. Unused credits are carried forward in the statement of financial position as deferred income.

Software Service Fees
Revenue from software services is recognised on a straight-line basis over the contracted period. Unearned amounts are carried forward in the statement of financial position as deferred income.

Professional Services - Short Term Contracts
Revenue and profits derived from short term professional service contracts are recognised on completion of the performance obligations, and customer acceptance of the work performed.

Professional Services - Long Term Contracts
Revenue and profits from the provision of professional services, such as installation, implementation, technical consultancy and training, are recognised on a straight line basis, as costs incurred relate to total costs for the contract, when the outcome of a contract can be estimated reliably.

Determining whether a contract's outcome can be estimated reliably requires management to exercise judgement, whilst calculation of the contract's profit requires estimates of the total contract costs to completion. Cost estimates and judgements are continually reviewed and updated as determined by events or circumstances.

3. Accounting policies (continued)

3.4 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Long-term leasehold property	- over the remaining lease term
Fixtures and fittings	- 20 - 33.33% per annum

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

3.5 Debtors

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

3.6 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

3.7 Financial instruments

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

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

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

3. Accounting policies (continued)

3.7 Financial instruments (continued)

impairment loss is recognised in the statement of comprehensive income.

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

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

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

3.8 Creditors

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

3.9 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

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

3. Accounting policies (continued)

3.10 Finance costs

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

3.11 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

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

3.12 Research and development

Expenditure on pure and applied research is charged to the statement of comprehensive income in the year in which it is incurred. Development costs are also charged to the statement of comprehensive income in the year of expenditure, unless individual projects satisfy all of the following criteria:

- the project is clearly defined and related expenditure is separately identifiable;
- the project is technically feasible and commercially viable;
- current and future costs are expected to be exceeded by future sales; and
- adequate resources exist for the project to be completed.

In such circumstances the costs are carried forward and amortised over a period not exceeding five years commencing in the year the company starts to benefit from the expenditure.

During the year ended 31 March 2020, the company has deducted the research and development credit of £292,159 (2019 - £310,170) from adminstrative expenses.

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

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

3. Accounting policies (continued)

3.13 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

3.14 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

3.15 Taxation

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

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

4. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make the following:

Determine whether leases entered into by the company either as a lessor or a lessee are operating or lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Determine whether there are indicators of impairment of the company's tangible. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty:

Tangible fixed assets (see note 11)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

5. Turnover

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	**5,253,566**	5,508,210
Rest of Europe	**68,615**	78,701
Rest of the world	**98,971**	114,539
	5,421,152	5,701,450

6. Other operating income

	2020 £	2019 £
Management recharge	**208,899**	237,886
	208,899	237,886

7. Operating loss

The operating loss is stated after charging:

	2020 £	2019 £
Research & development charged as an expense	**762,416**	1,043,240
Exchange differences	**1,934**	1,703
Other operating lease rentals	**70,000**	70,150
Depreciation of tangible fixed assets	**16,103**	17,808
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	**11,790**	11,450
Fees payable to the company's auditor for other non-audit services	**11,525**	12,180

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2020 £	2019 £
Wages and salaries	**2,749,329**	3,319,628
Social security costs	**299,161**	364,312
Cost of defined contribution scheme	**70,426**	76,545
	3,118,916	3,760,485

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

	2020 No.	2019 No.
Employees	**62**	75

9. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	**150,000**	171,149
Directors pension costs	**750**	2,806
	150,750	173,955

During the year retirement benefits were accruing to 1 director (2019 - 2) in respect of defined contribution pension schemes.

10. Taxation

	2020 £	2019 £
Current tax on loss for the year	-	-
Total current tax	-	-

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Loss on ordinary activities before tax	**(486,184)**	(1,449,100)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	**(92,375)**	(275,329)
Effects of:		
Expenses not deductible for tax purposes	**960**	1,282
Surrender of tax losses for R&D tax credit refund	**89,431**	139,064
Deferred tax asset previously unrecognised	**1,984**	134,983
Total tax charge for the year	**-**	-

11. Tangible fixed assets

	Leasehold land and buildings £	Fixtures and fittings £	Total £
Cost or valuation			
At 1 April 2019	**540,216**	**369,624**	**909,840**
Additions	**-**	**25,039**	**25,039**
At 31 March 2020	**540,216**	**394,663**	**934,879**
Depreciation			
At 1 April 2019	**540,216**	**343,932**	**884,148**
Charge for the year on owned assets	**-**	**16,103**	**16,103**
At 31 March 2020	**540,216**	**360,035**	**900,251**
Net book value			
At 31 March 2020	**-**	**34,628**	**34,628**
At 31 March 2019	-	25,692	25,692

12. Debtors

	2020 £	2019 £
Trade debtors	**692,478**	703,482
Amounts owed by group undertakings	**1,725,821**	1,725,821
Other debtors	**52,389**	52,388
Prepayments and accrued income	**207,037**	315,076
Tax recoverable	**254,408**	310,170
	2,932,133	3,106,937

All amounts shown under debtors fall due for payment within one year.

The impairment loss recognised in profit or loss for the year in respect of bad and doubtful trade debtors was £59,065 (2019 - £23,408).

13. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	**383,163**	333,688
Amounts owed to group undertakings	**4,626,197**	4,167,036
Other taxation and social security	**226,009**	238,678
Other creditors	**1,474**	-
Accruals and deferred income	**1,217,250**	1,492,715
	6,454,093	6,232,117

14. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
100 (2019 - 100) Ordinary A shares of £1.00 each	**100**	100
365 (2019 - 365) Ordinary B shares of £1.00 each	**365**	365
	465	465

15. Reserves

The company's capital and reserves are as follows:

Share Capital

Called up share capital represents the nominal value of the shares issued.

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

16. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £70,425 (2019 - £76,545). Contributions totalling £13,718 (2019 - £11,103) were payable to the fund at the statement of financial position date.

17. Commitments under operating leases

At 31 March 2020 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2020 £	2019 £
Not later than 1 year	**105,259**	105,259
Later than 1 year and not later than 5 years	**248,584**	353,843
	353,843	459,102

18. Related party transactions

The company is a wholly owned subsidiary of Purepromoter Group (Holdings) Limited and has taken advantage of the exemption conferred by paragraph 33.1A of FRS 102 not to not to disclose transactions with Purepromoter Group (Holdings) Limited or other wholly owned subsidiaries within the group.

19. Ultimate parent undertaking and controlling party

The company is a subsidiary of Purepromoter Group (Holdings) Limited which is the ultimate parent company incorporated in England and Wales. Purepromoter Holdings Limited is the companies direct parent company.

The largest and smallest group in which the results of the company are consolidated is that headed by Purepromoter Group (Holdings) Limited, incorporated in England and Wales. The consolidated accounts of this company are available to the public and may be obtained from Units A-E, Level 7 South, New England House, Brighton, East Sussex, BN1 4GH. No other group accounts include the results of the company.