

Quantum Holding Midco 1 Limited
Annual report and financial statements
for the period from 1 July 2019 to 31 December 2019

Company number: 12077562

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Quantum Holding Midco 1 Limited

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Quantum Holding Midco 1 Limited

Company information

Company registration number: 12077562

Registered office: 1 Appold Street
London
England
EC2A 2UT

Directors: Norman Merritt Jr
Christopher Wilmot

Independent Auditors: PricewaterhouseCoopers LLP
1 Embankment Place
London
England
WC2N 6RH

Solicitors: Travers Smith
10 Snow Hill
London
England
EC1A 2AL

Quantum Holding Midco 1 Limited

Strategic Report

For the period from 1 July 2019 to 31 December 2019

The Directors present their Strategic Report together with their report and audited consolidated financial statements of Quantum Holding Midco 1 Limited and its subsidiaries for the period from 1 July 2019 to 31 December 2019.

The company was incorporated in Great Britain and registered in England and Wales on 1 July 2019.

The directors have elected to present a parent company only balance sheet, a statement of changes of equity and accompanying notes separately from the consolidated financial statements.

Principal activities

The Company is a holding company and the principal activity of its subsidiary undertakings is that of software quality assurance consultancy, serving international clients from its offices in the United States, United Kingdom, Israel and India.

Results and performance

The figures set out in these financial statements are reported in USD thousands (\$'000) unless otherwise stated. The functional currency for the group varies across the subsidiaries mainly between United States Dollar, British Pounds Sterling and New Israeli Shekel. The results of the Group for the current period, as set out on page 11, show a loss before tax of \$30.9m. The shareholders' funds of the Group total \$109.6m.

Key Performance Indicators

The Group uses a number of metrics to manage the business. The key metrics are shown below.

	Period from 1 July 2019 to 31 December 2019*
Revenue	\$52.4m
Operating loss	\$(25.2)m
Headcount (average)	3,078

*The group was not trading until the point of acquisition of Jupiter Topco Limited on the 3rd October 2019. The performance of the Group during 2019 was in line with expectations.

Future developments

The Group intends to continue operating in the area of software testing and to identify organic and inorganic opportunities for international growth.

Long-term expectations are for significant growth in the software testing market and the Group is well positioned to capitalise on this and deliver profitable growth.

The Group is closely monitoring the implications of Covid-19 and associated risks and opportunities. Further details regarding management's assessment of the implications of Covid-19 can be found in the going concern section of the significant accounting policies in the financial statements (note 3.3).

Quantum Holding Midco 1 Limited

Strategic Report (continued)

For the period from 1 July 2019 to 31 December 2019

Principal risks and uncertainties

The Group delivers software testing services across a variety of different market sectors and geographic locations including Europe, North America, Asia and the Middle East. This diversification cannot fully prevent the Group from being affected by economic factors in each of the sectors or geographic regions.

As consultants have continued to work remotely across all of the regions during the Covid-19 outbreak, the Directors do not consider there to be any related business continuity risk.

Financial risk management

The Group uses various financial instruments. These include loans, cash, overdraft facilities and various items such as accounts receivable and accounts payable that arise directly from its operations. The purpose of these financial instruments is to facilitate the Group's operations.

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below.

Capital Resources

Our primary sources of liquidity consist of cash generated from operating activities and available drawings under the Revolving Credit Facility of \$20.0m, of which \$13.7m was drawn down and remained in place as at the period end. The cash balance at the end of the period was \$7.9m

As a result of the global pandemic resulting from COVID-19, the Group drew down the full revolving credit facility available in March 2020 in order to support the Group's ability to meet its obligations throughout a period of uncertainty. Further commentary is made with regards to the wider impact of COVID-19 on the Group and Parent Company in the Going Concern policy (note 3.3).

The main risks arising from the Group's financial instruments are market risk, currency risk, liquidity risk, interest rate risk and credit risk. The Group's policies for managing each of these risks are summarised below.

Market risk

Market risk encompasses two types of risk: being fair value interest rate risk and currency risk. The Group's policies for managing fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled 'interest rate risk' below.

Currency risk

The Group trades mainly in United States Dollars, British Pounds Sterling and Israeli New Shekels. The Group's operations have natural hedges due to revenues and costs generally being in the same currency. The group has taken out cross currency swaps to better align the cash interest servicing requirement by currency with the forecasted cash generation by currency.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available in each region to meet the specific needs in each region as they fall due and to invest cash assets safely. It also utilises facilities available to the Group.

Quantum Holding Midco 1 Limited

Strategic Report (continued)

For the period from 1 July 2019 to 31 December 2019

Financial risk management (continued)

Interest rate risk

The Group finances its operations through a mixture of parent and third-party borrowings. The group manages interest rate risk by taking out derivative financial instruments, denominated in the currency related to the underlying facilities.

Credit risk

The Group's principal financial assets are cash and accounts receivable. The credit risk associated with cash is limited as the counterparties have high credit ratings assigned by the international credit rating agencies. The principal credit risk arises therefore from its accounts receivable. However, credit risk is minimal due to the nature of the clients and sectors in which the group companies operate and the services provided. Each trading entity is responsible for managing and analysing the credit risk of new clients before standard payment terms and conditions are offered. In response to the potential additional credit risk arising due to Covid-19, management are performing additional procedures to monitor and limit exposure.

Section 172(1) statement

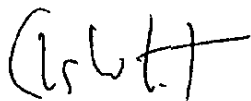
During the period the Directors have acted in a way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have had regard to:

- a. the likely consequences of any decision in the long term,
- b. the interests of the company's employees,
- c. the need to foster the company's business relationships with suppliers, customers and others,
- d. the impact of the company's operations on the community and the environment,
- e. the desirability of the company maintaining a reputation for high standards of business conduct, and
- f. the need to act fairly as between members of the company.

In particular, with reference to approval of our 5-year business plan in September 2019, we considered the long-term impact of investment and other spending decisions on the company's future results, the interests of employees and other stakeholders, as well as maintaining our reputation for quality provision of software testing services. Similarly, when concluding on the acquisitions of Jupiter Topco Limited and AlgoTrace Limited the Directors considered the long-term impact and strategic fit of the acquisitions with our existing business and stakeholders.

Approval

Approved by the Board and signed on its behalf by



Chris Wilmot, Director

19 June 2020

Quantum Holding Midco 1 Limited

Directors' Report

For the period from 1 July 2019 to 31 December 2019

The directors present their annual report on the affairs of the Group, together with the audited consolidated financial statements and parent company financial statements, for the period from 1 July 2019 to 31 December 2019.

Directors of the Company

The directors who served throughout the period and to the date of this report, except as noted were as follows:

N Merritt (appointed on 3 October 2019)
C J Wilmot (appointed on 3 October 2019)
X J Robert (appointed on 1 July 2019 and resigned on 3 October 2019)
C H Welham (appointed on 1 July 2019 and resigned on 3 October 2019)

Results and Dividends

The loss after tax for the period amounted to \$29.0m. The directors declared and paid dividends of \$Nil.

Financial instruments

The Group finances its activities with a combination of bank loans, cash and short-term deposits, as disclosed in note 18. Facilities are used to satisfy short term cash flow requirements. Other financial assets and liabilities, such as accounts receivable and accounts payable, arise directly from the Group's operating activities. Financial instruments give rise to foreign currency, interest rate, credit and liquidity risk. Information on how these risks arise is set out above, as are the objectives, policies and processes for their management and the methods used to measure each risk.

Research and development

The research and development of the group concentrates on developing testing tools and suitable quality assurance methods.

Future developments

The Group's future developments have been reviewed in the Strategic Report on page 1.

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Quantum Holding Midco 1 Limited

Directors' Report (continued)

For the period from 1 July 2019 to 31 December 2019

Employee consultation and engagement

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and local newsletters. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. Certain employees are incentivised through participation in an employee share scheme.

Statement of engagement with suppliers, customers and others in a business relationship with the company

The company's stakeholders include its suppliers, customers, and lenders. The company is committed to being a responsible employer and our employees are at the heart of what we do in developing and delivering software testing services. We actively manage our peoples' performance and provide training and coaching to ensure their continued development. The company values all of its suppliers and has long-term relationships with many of these. Our company strategy aims to achieve organic growth as well as growth-by-acquisition. In order to achieve this we need to develop and maintain strong customer relationships. We strive to achieve excellent customer satisfaction and seek and act on customer feedback.

Directors' Indemnities

The Group has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

Going concern

Details regarding the adoption of the going concern basis can be found in the significant accounting policies in the financial statements (note 3.3).

Post balance sheet events

On 11 March 2020 the World Health Organisation declared the Covid-19 coronavirus a pandemic. Whilst the long-term impact of the pandemic on the Group's operations is unclear, the impact on operations to date has not been significant. The Directors consider this to be a non-adjusting post-balance sheet event and therefore there is no impact on the carrying value of assets and liabilities held as at 31 December 2019. See note 3.3 for more details on the adoption of the going concern basis.

On the 4th of February 2020 the group sold part of its Romania operations as a going concern.

Quantum Holding Midco 1 Limited

Directors' Report (continued)

For the period from 1 July 2019 to 31 December 2019

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 group and parent company and of the income statement of the group and parent company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors acknowledge their responsibilities for:

- a. ensuring that the company keeps adequate accounting records which comply with section 386 of the Companies Act 2006; and
- b. preparing financial statements which give a true and fair view of the state of the affairs of the company at 31 December 2019 and of its income statement for the period then ended in accordance with the requirement of section 394 of the Companies Act 2006, and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements so far as applicable to the company.

Quantum Holding Midco 1 Limited

Directors' Report (continued)

For the period from 1 July 2019 to 31 December 2019

Independent Auditors

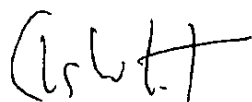
Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

PricewaterhouseCoopers LLP have indicated their willingness to be reappointed for another term and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Approved by the board and signed on its behalf by:



Chris Wilmot
Director

19 June 2020

Independent auditors' report to the members of Quantum Holding Midco 1 Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Quantum Holding Midco 1 Limited's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss and cash flows for the period (the "period") then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the consolidated and parent company balance sheet as at 31 December 2019; the consolidated income statement and consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and parent company statements of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern – Group and Parent Company

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3.3 to the financial statements concerning the group and parent company's ability to continue as a going concern. In the event of a prolonged extreme downside scenario where further significant business disruption is caused due to the COVID-19 pandemic, there is a risk that this could reduce revenues. Whilst management expects to apply various mitigation measures with such a scenario, there is a risk that the group may breach their financial covenants within the going concern period, unless an agreement is reached with their lenders. These conditions, along with the other matters explained in note 3.3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group and parent company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the parent company were unable to continue as a going concern.

Independent auditors' report to the members of Quantum Holding Midco 1 Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

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 period ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent auditors' report to the members of Quantum Holding Midco 1 Limited (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Brian Henderson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

20 June 2020

Quantum Holding Midco 1 Limited
Consolidated income statement

For the period from 1 July 2019 to 31 December 2019

	Note	Period from 1 July 2019 to 31 December 2019 \$'000
Revenue	5	52,394
Cost of sales		(37,425)
Gross profit		14,969
Administrative expenses		(40,128)
Operating loss	6	(25,159)
Finance costs	9	(5,748)
Loss before tax		(30,907)
Tax credit	10	1,895
Loss for the financial period		(29,012)

The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company income statement.

There were no income statement transactions in the financial period for the company.

The notes on pages 19 to 66 form an integral part of these Financial Statements.

Quantum Holding Midco 1 Limited

Consolidated statement of comprehensive income

For the period from 1 July 2019 to 31 December 2019

	Period from 1 July 2019 to 31 December 2019 \$'000
Loss for the financial period	(29,012)
Items that will not be reclassified to income statement:	
Exchange differences on translation of foreign operations	(83)
Other comprehensive expense for the period net of tax	(83)
Total comprehensive expense for the period	(29,095)

The notes on pages 19 to 66 form an integral part of these Financial Statements.

Quantum Holding Midco 1 Limited

Consolidated balance sheet

As at 31 December 2019

Company number: 12077562

	Note	2019 \$'000
Non-current assets		
Goodwill	12	141,689
Other intangible assets	13	277,764
Property, plant and equipment	14	2,781
Right-of-use assets	15	10,242
Trade and other receivables	17	732
		<hr/> 433,208
Current assets		
Trade and other receivables	17	42,780
Cash and cash equivalents	11	7,922
		<hr/> 50,702
Total assets		<hr/> 483,910 <hr/>
Current liabilities		
Borrowings	18	22,871
Trade and other payables	20	139,497
Lease liabilities	25	2,780
Provisions	21	1,852
		<hr/> 167,000
Net current liabilities		<hr/> (116,298) <hr/>
Non-current liabilities		
Borrowings	18	146,919
Deferred tax liabilities	19	51,619
Lease liabilities	25	7,595
Provisions	21	1,159
		<hr/> 207,292
Total liabilities		<hr/> 374,292 <hr/>
Net assets		<hr/> 109,618 <hr/>

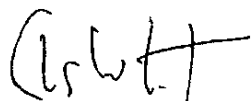
Quantum Holding Midco 1 Limited

Consolidated balance sheet (continued)

As at 31 December 2019

	Note	2019 \$'000
Equity		
Share capital	22	138,713
Accumulated losses:		
At start of period		-
Total comprehensive expense attributable to owners		(29,095)
Total equity		<u>109,618</u>

The financial statements of Quantum Holding Midco 1 Limited (company number: 12077562) on pages 11 to 66 were approved by the board of directors and authorised for issue on 19 June 2020. They were signed on its behalf by:



Chris Wilmot

Director

Quantum Holding Midco 1 Limited

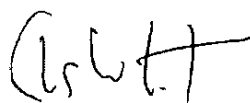
Parent company balance sheet

As at 31 December 2019

	Note	2019 \$'000
Non-current assets		
Investments in subsidiaries	31	138,713
Current assets		
Trade and other receivables	32	2,557
Current liabilities		
Trade and other payables	33	(2,557)
Net assets		<u>138,713</u>
Equity		
Share capital	22	<u>138,713</u>
Equity attributable to owners of the Company		<u>138,713</u>

There were no income statement transactions in the financial period for the company.

The financial statements of Quantum Holding Midco 1 Limited (registered number 10296200) on pages 11 to 66 were approved by the board of directors and authorised for issue on 19 June 2020. They were signed on its behalf by:



Chris Wilmot
Director

Quantum Holding Midco 1 Limited

Consolidated statement of changes in equity

For the period from 1 July 2019 to 31 December 2019

	Share Capital \$'000	Accumulated losses \$'000	Total Equity \$'000
Balance as at 1 July 2019	-	-	-
Loss for the financial period	-	(29,012)	(29,012)
Other comprehensive expense for the financial period	-	(83)	(83)
Total comprehensive expense for the period	-	(29,095)	(29,095)
Transactions with owners:			
Share issue	138,713	-	138,713
Balance as at 31 December 2019	138,713	(29,095)	109,618

The notes on pages 19 to 66 are an integral part of these consolidated financial statements.

Quantum Holding Midco 1 Limited

Parent company statement of changes in equity

For the period from 1 July 2019 to 31 December 2019

	Share capital \$'000	Accumulated losses \$'000	Total \$'000
2019			
Balance at 1 July 2019	-	-	-
Share issue	138,713	-	138,713
Result for the period	-	-	-
Total comprehensive income for the period	-	-	-
Balance as at 31 December 2019	138,713	-	138,713

The notes on pages 19 to 66 are an integral part of these consolidated financial statements.

Quantum Holding Midco 1 Limited

Consolidated cash flow statement

For the period from 1 July 2019 to 31 December 2019

		Period from 1 July 2019 to 31 December 2019 \$'000
	Note	
Cash used by operations	24	(25,208)
Income taxes paid		(1,633)
Interest paid		(2,866)
Net cash used in operating activities		(29,707)
Investing activities		
Purchases of property, plant and equipment	14	(347)
Purchase of other intangibles	13	(1,012)
Acquisition of subsidiary (net of cash acquired)	23	(352,876)
Payment of deferred consideration		(1,825)
Net cash used in investing activities		(356,060)
Financing activities		
Proceeds on issue of shares	35	138,213
Proceeds on loan from parent		90,316
New bank loans raised net of loan fees	18	169,099
Repayment of borrowings		(2,932)
Lease payments		(872)
Net cash generated from financing activities		393,824
Net increase in cash and cash equivalents		8,057
Cash and cash equivalents at beginning of period		-
Effect of foreign exchange rate changes		(135)
Cash and cash equivalents at end of period		7,922

The notes on pages 19 to 66 are an integral part of these consolidated financial statements.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

1. General information

Quantum Holding Midco 1 Limited (the Company) is a private company limited by shares which is incorporated and domiciled in the United Kingdom under the Companies Act. The address of the registered office is given on the Company information page. The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the Strategic Report on pages 1 to 3.

These financial statements are presented in US Dollars because that is the currency of the primary economic environment in which the group operates.

2. Adoption of new and revised Standards

During the period of 1 July 2019 to 31 December 2019, no new accounting standards, amendments or revisions to existing accounting standards were adopted. IFRS 15 Revenue from contracts with customers, and IFRS 16 Leases is applicable to the Group, and have been adopted from incorporation.

New accounting standards not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These include the new insurance standard IFRS 17 Insurance Contracts which was issued in 2017 with the effective date of 1 January 2021. These new or amended standards or interpretations are not expected to have a significant impact on the Group's financial statements.

3. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

3.1 Basis of accounting

The financial statements of Quantum Holding Midco 1 Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the financial assets and financial liabilities (including derivative instruments) at fair value through income statement.

The principal accounting policies adopted are set out below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounts policies. The area involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated finance statements, are disclosed on note 4.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

3. Significant accounting policies (continued)

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and

any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

The income statement and each component of other comprehensive income for the year are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

3. Significant accounting policies (continued)

3.2 Basis of consolidation (continued)

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders (that are present ownership interests) that entitle their holders to a proportionate share of net assets upon liquidation are initially measured at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interest's is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in income statement is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to income statement or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement*, when applicable, the costs on initial recognition of an investment in an associate or a joint venture.

3.3 Going concern

The Directors confirm that having reviewed the group and parent company's cash requirements for a period of 12 months from the date of signing these financial statements, they have a reasonable expectation that the group and parent company has adequate resources to continue in operational existence and to meet its liabilities as and when they fall due. The Directors have accordingly adopted the going concern basis in preparing these financial statements.

The uncertainty as to the future impact on the group and parent company of the COVID-19 pandemic, and resulting uncertainty in the global economy, has been considered as part of the group and parent company's adoption of the going concern basis. Management have performed a thorough scenario planning exercise and have reviewed the consolidated income statement, net current liabilities and cash flow forecasts in conjunction with current and future financing availability. The exercise considered three scenarios (Scenario 1, 2 and 3), with assumed revenue reductions from Q1 2020 of 10%, 20% and 30% respectively. For each scenario, management also considered the impact on profitability and cash flows, along with remedial actions. To date the group has performed ahead of Scenario 1 due to customer spend being ahead of the Scenario 1 assumptions, and the company being able to continue to deliver work remotely. Management's latest forecast indicates the group and parent company will continue to perform broadly in line with the Scenario 1 projection.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

3. Significant accounting policies (continued)

3.3 Going concern (continued)

Central to the directors' assumptions is the expectation that the Group remains able to perform the majority of its services remotely: as this has been the case during the Covid-19 pandemic to date, this is considered achievable. The scenario planning exercise shows that under all scenarios with the exception of Scenario 3 the group and parent company is able to operate within its existing funding facilities, including covenants, for the foreseeable future. Under Scenario 3 whilst the group and parent company remains profitable and with good liquidity there is a risk that the Group's banking covenants become tight in the second quarter of 2021. In this eventuality management would undertake further cost reduction activities to seek to avoid a banking covenant breach. However, in the event that the Group did breach its banking covenants then the Group would require a waiver from its lenders, or additional funding from its shareholders to remain within covenants. If the Group was unable to obtain either, then this potential breach would give lenders the power to require immediate payment of its facilities that would indicate the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the group and parent company was unable to continue as a going concern.

3.4 Business combinations

Acquisitions of subsidiaries and operations which constitute a business are measured using the acquisition method. The cost of business combination is measured at the aggregate fair value (upon the exchange date) of assets transferred, liabilities incurred and equity instruments issued by the Group in consideration of attaining control of the acquired entity. Transaction costs directly related to the business combination shall be recognised on the income statement when incurred.

Identifiable assets and liabilities of the acquired entity, which meet the conditions for recognition pursuant to IFRS 3 (Revised) "Business combinations", are recognised at fair value thereof upon the acquisition date.

Non-controlling interest in the acquired entity are initially measured, upon the business combination date, at their share of fair value of assets, liabilities and contingent liabilities of the acquired entity, excluding their share of goodwill.

Non-controlling interest which does not confer current equity interest, such as option warrants and the equity component of debentures convertible into shares of the acquired entity, are presented at fair value, except for share-based payments of the acquired entity measured upon the business combination date.

Contingent consideration with respect to business combinations, which is not classified as an equity instrument pursuant to provisions of IAS 32 "Financial Instruments: Presentation" is measured at fair value in subsequent periods as well, with changes to fair value charged to the income statement. If the contingent consideration is classified as equity instrument, it is not re-measured in subsequent reported periods.

3.5 Intangible assets: Goodwill

Goodwill arising from business combinations is measured at the excess acquisition cost over Company share of net fair value of identifiable assets, liabilities and contingent liabilities of the consolidated company recognised upon the acquisition date. How goodwill is measured, in conformity with the aforementioned alternatives, is individually determined upon each business combination.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

3. Significant accounting policies (continued)

3.5 Intangible assets: Goodwill (continued)

If, upon reassessment, total Group rights in net fair value of identified assets, liabilities and contingent liabilities recognised exceeds the cost of business combination – the excess is immediately recognised in the income statement. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost net of accumulated impairment loss. For the purpose of impairment review, goodwill is assigned to each of the Group's cash-generating units for which a benefit is expected from the business combination synergy. Cash-generating units to which goodwill has been assigned are reviewed for impairment annually or more often if signs indicate potential impairment of said unit. If the recoverable amount of the cash-generating unit is lower than its carrying amount, the impairment loss is first assigned to reducing the carrying amount of any goodwill assigned to the cash-generating unit. Thereafter, the balance of impairment loss, if any, is assigned to other assets of the cash-generating unit pro-rata to their carrying amount. An impairment loss in respect of goodwill is not reversed in subsequent periods.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows from each cash-generating unit 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 which the estimates of future cash flows have not been adjusted.

3.6 Revenue recognition

Revenue is measured as the fair value of consideration received or receivable for satisfying performance obligations contained in contracts with clients, including expenses and disbursements but excluding discounts and Value Added Tax. Variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal will not be required when the uncertainties determining the level of variable consideration are subsequently resolved. Revenue is recognised when or as the Group satisfies performance obligations by transferring control of services to clients. This occurs as follows for the Group's various contract types:

- Time-and-materials contracts are recognised over time as services are provided at the fee rate agreed with the client where there is an enforceable right to payment for performance completed to date.
- Fixed-fee contracts are recognised over time based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided where there is an enforceable right to payment for performance completed to date. This is determined based on the actual inputs of time and expenses relative to total expected inputs.
- Performance-fee contracts are recognised when the right to consideration arises on having met the relevant performance related elements.
- Contingent-fee contracts, over and above any agreed minimum fee, are recognised at the point in time that the contingent event occurs and the Group has become entitled to the revenue.
- Licence-fee contracts that provide a right to use the Group's intellectual property ('IP'), as it exists at the date the licence is granted, are recognised at the point in time that the licence agreement is entered into and the licensee is able to use and benefit from the licence. Licence-fee contracts that provide a right of access to the Group's IP, as it exists throughout the licence period, are recognised over time to reflect the pattern in which the benefits of access transfer to the client over the licence period.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

3. Significant accounting policies (continued)

3.6 Revenue recognition (continued)

Where contracts include multiple performance obligations, the transaction price is allocated to each performance obligation based on its stand-alone selling price. Where these are not directly observable, they are estimated based on expected cost-plus margin. Adjustments are made to allocate discounts proportionately relative to the stand-alone selling price of each performance obligation. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the income statement in the period in which the circumstances that give rise to the revision become known.

For time-and-materials, fixed-fee and licence-fee contracts, fees are usually billed on account based on a payment schedule.

For performance-fee and contingent-fee contracts, fees are usually billed and paid when entitlement to the revenue has been established. If the revenue recognised by the Group exceeds the amounts billed, a contract asset is recognised. If the amounts billed exceed the revenue recognised, a contract liability is recognised. Contract assets are reclassified as receivables when billed and the consideration has become unconditional because only the passage of time is required before payment is due.

The Group's standard payment terms require settlement of invoices within 30 days of receipt. The Group does not adjust the transaction prices for the time value of money as it does not expect to have any contracts where the period between the transfer of the promised services to the client and the payment by the client exceeds one year.

In recognising revenue under IFRS 15, Management have followed the five step model and considered identification of the contract with a customer; identification of performance obligations of each contract; transaction price; allocation of transaction price to performance obligation and recognition of revenue at the point the performance obligation has been satisfied.

3.7 Finance income

Finance income are accumulated periodically, accounting for the principal to be repaid and using the effective interest method.

3.8 Leases

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the asset are consumed.

The liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, Group uses its incremental borrowing rate.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

3. Significant accounting policies (continued)

3.8 Leases (continued)

Lease liability

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

- fixed lease payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- payments of penalties for terminating the lease if the lease term reflects exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value in which case the lease liability is measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

3. Significant accounting policies (continued)

3.8 Leases (continued)

The right-of-use assets are presented as a separate line in the consolidated balance sheet.

The Group applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss (note 3.14).

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other expenses" in the income statement.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components and instead account for any lease and associated non-lease components as a single arrangement, the Group has not applied this practical expedient.

3.9 Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in US dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the income statement in the financial period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments / hedge accounting); and exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to income statement on disposal or partial disposal of the net investment.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

3. Significant accounting policies (continued)

3.9 Foreign currencies (continued)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

3.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current and deferred tax are recognised in the income statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date, in the countries where the company its subsidiaries operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

3. Significant accounting policies (continued)

3.10 Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.11 Property, plant and equipment

Property, plant and equipment items are recognised at cost, net of accumulated amortisation and net of accumulated impairment loss. Cost includes the acquisition cost of the asset, as well as cost which is directly attributable to getting the asset to the location and state required for its operation in the manner intended by management.

Depreciation of property, plant and equipment

Depreciation is calculated systematically, using the straight-line method over the expected useful life of the asset, starting on the date on which the asset is ready for its intended use, accounting for the expected residual value at the end of its useful life.

The useful life and depreciation rates are as follows:

	Useful life	Depreciation rates
Leasehold Improvements	6-7 years	15%
Computer Equipment	3 years	33%
Office furniture and equipment	14-15 years	7%

The residual value, depreciation method and useful life of the asset are reviewed by Company management on a regular basis.

Gain or loss generated from sale or obsolescence of a fixed asset item is determined by the difference between proceeds from its sale and its carrying amount upon the date of sale or obsolescence and is recognised in the income statement.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

3. Significant accounting policies (continued)

3.11 Property, plant and equipment (continued)

Subsequent expenditure

The replacement cost of part of a fixed asset item, which may be reliably estimated, is recognised as an increase to the carrying amount when incurred, if the future economic benefits attributed to this item are expected to inure to the entity. The costs of the day-to-day maintenance are recognised on the income statement as incurred.

3.12 Other intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in income statement when the asset is derecognised.

Trademarks

Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

Client Relationships

Following a business combination, the Group identifies any significant customer relationships or partnerships which will drive future revenues. The initial value of these assets is determined using an income valuation approach and subsequently amortised over their estimated useful economic life.

Software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Directly attributable costs in the creation of software products are capitalised. These costs will include software development employee costs and an appropriate portion of relevant overheads.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

3. Significant accounting policies (continued)

3.12 Other Intangible assets (continued)

Developed technology

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives.

Impairment of intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 which the estimates of future cash flows have not been adjusted.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

3. Significant accounting policies (continued)

3.12 Other Intangible assets (continued)

Other intangible amortisation policy

Other intangible assets are amortised over their estimated useful lives:

	<u>Useful life</u>
Client relationships	10 years
Trademarks	10 years
Developed technology	2 years
Software	3 years

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.13 Financial Instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through income statement) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through income statement are recognised immediately in income statement.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through income statement' (FVPL) and 'loans and receivables'. The classification depends on the purpose for which the financial assets were acquired and is determined at the time of initial recognition.

a) Financial assets at fair value through income statement or at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant.
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the group's business model is achieved both by collecting contractual cash flows and selling financial assets.

a) Financial assets at amortised cost

The following classifies its financial assets as at amortised cost only if both the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows;
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

b) Financial assets at fair value through income statement

The following financial assets are classified at fair value through income statement (FVPL):

- Debt investments that do not qualify for measurement at either amortised cost;
- Equity investments that are held for trading; and
- Equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in income statement.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in income statement. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in income statement.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Groups accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in note 26.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in income statement depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

3.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

3. Significant accounting policies (continued)

3.14 Provisions (continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.15 Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 and the amount initially recognised less cumulative amortisation recognised in accordance with IFRS 3. The Group has no contingent liabilities and has issued no guarantees under section 394CA or 479C of the Companies Act 2006 as at 31 December 2019.

3.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

3.17 Retirement benefit schemes

Defined contribution schemes

The group operates defined contribution retirement benefit schemes for all qualifying employees as required by local legislation. The assets of the schemes are held separately from those of the group in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the group are reduced by the amount of forfeited contributions.

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Israel severance scheme

Labour laws in Israel and the Severance Pay Act, 1963 require the Company to pay severance to employees upon termination or retirement (see note 21).

3.18 Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

3. Significant accounting policies (continued)

3.19 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.20 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

3.21. IFRS9 Expected credit loss

The Group has applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced. The current and forward looking information on macroeconomic factors affecting the ability of customers to settle the receivables are also considered. The Group have assessed that no material adjustment to provisions is required to reflect the lifetime expected loss.

3.22 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

3.23 Share based payments

During the period, the group gave senior management the opportunity to acquire shares in Quantum Holding Topco Limited. These shares cannot be traded and must be sold back to the Group when employment ceases. The shares are only redeemed on sale of the Group. The fair value of the shares is measured at the issue date and spread as a cost over the expected period before sale of the Group. See note 27 for further details of the share scheme.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

4. Critical accounting estimates and judgements

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the group's accounting policies

The following are the critical judgements, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

A material amount of the group revenue is generated from performance-fee based contracts. The progress of these contracts is discussed on a monthly basis with clients. The group relies on operational managers to discuss progress with both our project managers and client project management and agree when a performance obligation has been met and when it is appropriate to recognise the revenue for the performance obligation. The directors are satisfied that control has been transferred and that recognition of the revenue in the current period is appropriate.

Capitalisation of development expenditure

The Group capitalises internal costs of developed technology where the Directors are satisfied as to the technical, commercial and financial viability of the individual projects. Judgement is required in determining whether a project is suitable for capitalisation and in determining useful economic life.

Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

Critical estimates and assumptions in applying the group's accounting policies

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Acquisition accounting

Accounting for acquisitions requires a fair value exercise to assess the assets and liabilities acquired, including any separately identifiable intangible assets. The process of determining fair values may require management to make estimates which are subjective in nature.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

4. Critical accounting estimates and judgements (continued)

Impairment – goodwill and other intangibles

The group determines whether goodwill and other intangible assets are impaired on an annual basis or otherwise when changes in events or situations indicate that the carrying value may not be recoverable. This requires an estimation of the recoverable amount of the cash generating unit to which the assets are allocated.

The Group has performed sensitivity analysis based on the growth assumptions used to support the carrying value of Goodwill at the balance sheet date and note that an impairment to carrying value would only be required should there be a reduction of greater than 7% in the growth forecast for the Group. Estimating the value-in-use requires the Group to make an estimate of the future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Depreciation and amortisation

Property, plant and equipment and intangible assets are stated at cost, net of depreciation and amortisation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use. The carrying values of assets are reviewed for impairment in any period whereby events or changes in circumstances indicate the carrying value may not be recoverable.

Share based payments

The Group has estimated the fair value of the shares issued to employees based on a Monte Carlo model. The inputs into the valuation model are subjective in nature. These are subject to an annual assessment of fair value with any adjustments to fair value recognised in the income statement.

Uncertain tax positions

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions of tax liability, based on reasonable estimates and judgements.

Contingent consideration

Any deferred contingent consideration is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, are recognised in either the profit or loss account or in other comprehensive income, in accordance with IFRS 3.

Fair value measurement of financial instruments

When the fair values of financial assets and liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair values are measured using valuation techniques including the Discounted Cash Flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

5. Revenue

An analysis of the group's revenue is as follows:

	Period from 1 July 2019 to 31 December 2019 \$'000
Continuing operations	
Software testing services	52,394

Geographical analysis of revenue by origin:

	Period from 1 July 2019 to 31 December 2019 \$'000
Country:	
USA	20,661
UK	10,283
Israel	20,279
Other	1,171
	52,394

6. Operating Loss

Operating loss for the period has been arrived at after charging:

	Period from 1 July 2019 to 31 December 2019 \$'000
Depreciation of property, plant and equipment (note 14)	199
Amortisation of intangible assets (note 13)	9,132
Depreciation of right-of-use assets (note 15)	824
Unrealised foreign exchange loss	561

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

7. Auditors' remuneration

The analysis of the auditors' remuneration is as follows:

	Period from 1 July 2019 to 31 December 2019 \$'000
Fees payable for the company's auditors for the audit of all Group companies	367
Fees payable to the company's auditors and their subsidiaries for other services to the group	65
<i>Total audit fees</i>	<u>432</u>
Non-audit services	
- Taxation compliance services	50
<i>Total non-audit fees</i>	<u>50</u>

8. Staff costs

The average monthly number of employees (including executive directors) was:

	Period from 1 July 2019 to 31 December 2019
Senior Management	21
Software testers	2,779
Sales and administration	278
	<u>3,078</u>

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

8. Staff costs (continued)

Their aggregate remuneration comprised:

	Period from 1 July 2019 to 31 December 2019 \$'000
Wages and salaries	32,505
Social security costs	2,406
Other pension costs	1,862
Other Benefits	897
Total	<u>37,670</u>

9. Finance costs

	Period from 1 July 2019 to 31 December 2019 \$'000
Bank loan interest	2,866
Amortisation of loan issue costs	449
Unrealised foreign exchange loss on bank loans	1,400
Unwinding of discount	43
Bank facility fees	12
Net loss on financial instruments at fair value through the income statement	831
Interest expense on lease liabilities	147
Total Finance costs	<u>5,748</u>

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

10. Tax

	Period from 1 July 2019 to 31 December 2019 \$'000
Corporation tax:	
Current period	228
Deferred tax credit (see note 19)	(2,123)
	<hr/>
	(1,895)
	<hr/>

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The tax credit on the group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to provide of the consolidated entities as follow:

	Period from 1 July 2019 to 31 December 2019 \$'000
Loss before tax	30,907
	<hr/>
Tax at the UK corporation tax rate of 19%	5,872
Tax effect of expenses that are not deductible in determining taxable profit	(2,496)
Effect of rate changes	(180)
Losses not recognised	(1,251)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(50)
	<hr/>
Tax credit for the period	1,895
	<hr/>

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

10. Tax (continued)

Tax rate changes

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17% as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

11. Cash and cash equivalents

Group

	\$'000
Cash at banks and on hand	7,922
	<hr/>
	7,922
	<hr/>

The Group had no short-term deposits during the current period. Cash at banks earns interest at floating rates based on daily bank deposit rates. The Group held no short-term deposits at the period end. The Group's credit risk on cash and cash equivalents is limited because the counterparties are well established banks with high credit ratings.

Company

The company had no cash and cash equivalents during the period under review.

12. Goodwill

	\$'000
Cost	
At 1 July 2019	-
	<hr/>
Recognised on acquisition of subsidiaries during the period. See note 23	141,689
	<hr/>
At 31 December 2019	141,689
	<hr/>
Carrying amount	
At 31 December 2019	141,689
	<hr/>

The total carrying value is attributed to one cash generating unit. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The above goodwill arose in 2019 following acquisition of Jupiter Topco Limited and AlgoTrace Limited. In both acquisitions the goodwill represents the value attributed to the assembly of the workforces acquired. There has been no impairment review of goodwill as the acquisitions to which it relates were less than 12 months before the end of the financial period and there were no indications that goodwill might be impaired. As at the balance sheet date the Directors do not consider that an impairment to goodwill has arisen as a result of the impact of Covid-19.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

13. Other intangible assets

Group

	Client relationships \$'000	Trademarks \$'000	Developed technology \$'000	Software \$'000	Total \$'000
2019					
Cost					
At 1 July 2019	-	-	-	-	-
Acquisitions (note 23)	219,458	41,737	18,870	5,819	285,884
Additions	-	-	463	549	1,012
At 31 December 2019	219,458	41,737	19,333	6,368	286,896
Accumulated amortisation					
At 1 July 2019	-	-	-	-	-
Charge for the period	5,486	1,043	2,388	215	9,132
At 31 December 2019	5,486	1,043	2,388	215	9,132
Carrying amount					
At 31 December 2019	213,972	40,694	16,945	6,153	277,764

Carrying value of intangibles

The carrying amount of Client relationships comprises \$214.0m in respect of Jupiter Topco Limited. These have weighted average remaining lives of 9.8 years.

The carrying amount of Trademarks comprises \$40.7m in respect of Jupiter Topco Limited. These have weighted average remaining lives of 9.8 years.

The carrying amount of Developed technology comprises \$16.9m in respect of Jupiter Topco Limited. These have weighted average remaining lives of 1.8 years.

The carrying amount of Software comprises \$1.8m in respect of Jupiter Topco Limited and \$4.4m in respect of AlgoTrace Limited. These have weighted average remaining lives of 2.6 years.

The Directors do not consider that an impairment to intangible assets has arisen as a result of the impact of Covid-19.

Company

The company had no intangible assets during the period under review.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

14. Property, plant and equipment

	Computer equipment \$'000	Leasehold improvements \$'000	Office equipment \$'000	Total \$'000
2019				
Cost:				
At 1 July 2019	-	-	-	-
Acquisition of subsidiary (note 23)	1,165	1,082	386	2,633
Additions	221	92	34	347
At 31 December 2019	<u>1,386</u>	<u>1,174</u>	<u>420</u>	<u>2,980</u>
Accumulated depreciation:				
At 1 July 2019	-	-	-	-
Charge for the period	136	35	28	199
At 31 December 2019	<u>136</u>	<u>35</u>	<u>28</u>	<u>199</u>
Carrying amount				
At 31 December 2019	<u>1,250</u>	<u>1,139</u>	<u>392</u>	<u>2,781</u>

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

15. Right of use assets

	Property leases \$'000	Vehicle leases \$'000	Total \$'000
2019			
Cost:			
At 1 July 2019	-	-	-
Acquisition of subsidiary	9,429	688	10,117
Additions	949	-	949
At 31 December 2019	<u>10,378</u>	<u>688</u>	<u>11,066</u>
Accumulated depreciation:			
At 1 July 2019	-	-	-
Charge for the period	733	91	824
At 31 December 2019	<u>733</u>	<u>91</u>	<u>824</u>
Carrying amount			
At 31 December 2019	<u>9,645</u>	<u>597</u>	<u>10,242</u>

IFRS 16 Leases was adopted from incorporation of the Group. Right of use assets relate to property leases held by the Group. The interest charge on the lease liabilities of \$147k has been included in finance costs (note 9) and the depreciation charge of \$824k in the period is included within administrative expenses (note 6).

16. Subsidiaries

The group consists of a parent company, Quantum Holding Midco 1 Limited (company), incorporated in the UK, and a number of subsidiaries and associates held directly and indirectly by Quantum Holding Midco 1 Limited, which operate and are incorporated around the world. The company's separate financial statements included in this report lists details of the interests in subsidiaries.

There are no significant restrictions on the ability of the group to access or use assets and settle liabilities.

Information about the composition of the Group at the end of the reporting period is as follows:

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

16. Subsidiaries (continued)

Quantum Holding Midco 1 Limited has investments in the following subsidiary undertakings:

Subsidiary undertaking name	Place of Incorporation	Principal activity	Registered office address	Holding
Quantum Holding Midco 2 Limited	UK	Holding	1 Appold Street, London, England, EC2A 2UT	100%*
Quantum Holdco US Bidco Corp	US	Holding	1 Post Rd. 3rd floor, Fairfield, Connecticut, 06824, USA	100%
Quantum Holding UK Bidco Limited	UK	Holding	1 Appold Street, London, England, EC2A 2UT	100%
Jupiter Topco Limited	UK	Holding	1 Appold Street, London, England, EC2A 2UT	100%
Jupiter Midco 1 Limited	UK	Holding	1 Appold Street, London, England, EC2A 2UT	100%
Jupiter Midco 2 Limited	UK	Holding	1 Appold Street, London, England, EC2A 2UT	100%
Jupiter Holdco Limited	UK	Holding	1 Appold Street, London, England, EC2A 2UT	100%
Experior Group Limited	UK	Holding	1 Appold Street, London, England, EC2A 2UT	100%
Experior Limited	UK	Trading	1 Appold Street, London, England, EC2A 2UT	100%
Qualitest Group UK Limited	UK	Trading	1 Appold Street, London, England, EC2A 2UT	100%
Jupiter Bidco Ltd	Israel	Holding	Deniv Park, 21d Yagla, Kapayim St, Petach-Tikva, 49130, Israel	100%
Ibase Operations Corp	US	Trading	Greentree Drive, Suite 101, Dover, Delaware 19904 USA	100%
QualiTest Ltd	Israel	Trading	Deniv Park, 21d Yagla, Kapayim St, Petach-Tikva, 49130, Israel	100%
QualiTest Partnership Ltd	Israel	Trading	Deniv Park, 21d Yagla, Kapayim St, Petach-Tikva, 49130, Israel	100%
Electronic Nation LLC	US	Dormant	1 Post Rd. 3rd floor, Fairfield, Connecticut, 06824, USA	100%
Ibase of Fairfield LLC	US	Trading	1 Post Rd. 3rd floor, Fairfield, Connecticut, 06824, USA	100%
TCL Group Limited	UK	Holding	1 Appold Street, London, England, EC2A 2UT	100%
Qualitest Software Testing Limited	UK	Trading	1 Appold Street, London, England, EC2A 2UT	100%
Qualitest Software Testing India Private Ltd	India	Trading	Level 15, Concorde Tower, UB City, 1 Vittal Mallya Road, Bengaluru, 560001, India.	100%
TCL US Corporation	US	Dormant	1 Post Rd. 3rd floor, Fairfield, Connecticut, 06824, USA	100%
Qualitest UK 4 Limited	UK	Trading	1 Appold Street, London, England, EC2A 2UT	100%
Qualitest DC Ro S.R.L	Romania	Trading	Bucuresti Sectorul 1, Strada Diaconu Coresi, Nr. 53, Romania	100%
Q-TEST PORTUGAL SOFTWARE, UNIPessoal LDA	Portugal	Trading	Lagoas Park, Building One, 2740-265, Porto Salvo	100%
QT SOFTWARE TESTING MEXICO	Mexico	Trading	Gara Herastrau 4B, 11th Floor, Bucharest, Romania	100%
Algotrace Ltd	Israel	Trading	Deniv Park, 21d Yagla, Kapayim St, Petach-Tikva, 49130, Israel	100%

*Held directly by the Company.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

16. Subsidiaries (continued)

Subsidiary companies' audit exemption

The Company has provided the following subsidiaries with a parental guarantee in accordance with section 479C of the Companies Act. As such, advantage has been taken by the audit exemption available for the following subsidiary companies conferred by section 479A of the Companies Act relating to the audit of individual financial statements:

Subsidiary undertaking name	Registration number
Quantum Holding Midco 2 Limited	12077691
Quantum Holding UK Bidco Limited	12077725
Jupiter Midco 2 Limited	10238800
Jupiter Holdco Limited	10238811
Experior Group Limited	05419369
Experior Limited	04481216
Qualitest Group UK Limited	04394772
TCL Group Limited	05882567
Qualitest Software Testing Limited	03929849
Qualitest UK 4 Limited	04203893

The directors acknowledge their responsibilities for:

- a. ensuring that the company keeps adequate accounting records which comply with section 386 of the Companies Act 2006; and
- b. preparing financial statements which give a true and fair view of the state of the affairs of the company at 31 December 2019 and of its income statement for the year then ended in accordance with the requirement of section 394 of the Companies Act 2006, and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements so far as applicable to the company.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

17. Trade and other receivables

	2019 \$'000
Amount receivable for the sale of goods	31,263
Allowance for doubtful debts	(1,002)
	<hr/> 30,261
Accrued Income	10,656
Other debtors	237
Prepayments	1,626
	<hr/> 42,780
Total current	
	<hr/>
Rent deposits	732
	<hr/>
Total non-current	732
	<hr/>

Trade receivables

The specified credit terms for Company customers are typically 30-60 days.

Out of total trade receivables as of December 31, 2019, \$8,694k was overdue but not provided for as a doubtful debt. Management regularly reviews receivables and assesses recoverability. The above provision has been deemed adequate.

The Company has contracted, through its subsidiary, trade receivables factoring transactions with a bank, whereby the Company sells part of its trade receivables, in order to increase liquidity in the group. As of December 31, 2019, the factoring transaction amounts to \$2,098k. As the facility is non-recourse the amount is not within the receivables balance.

All non-current receivables are due within five years from the end of the reporting period.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which use a lifetime loss allowance for all trade receivables and contract assets. The expected loss rates are based on the payment profiles of sales and the historical credit losses experienced. The current and forward looking information on macroeconomic factors affecting the ability of customers to settle the receivables are also considered. The Group have assessed that there is no material adjustment to provisions required, to reflect the lifetime expected loss. The maximum exposure to credit risk at the end of the period is the fair value of trade and other receivables. The Directors estimate that the carrying value of receivables is an approximation of their fair value.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

18. Borrowings

				2019 \$'000
Unsecured borrowing at amortised cost				
Loan notes				161
Secured borrowing at amortised cost				
Bank loans				169,629
Total borrowings				169,790
Amount due for settlement within 12 months				22,871
Amount due for settlement after 12 months				146,919
Analysis of borrowings by currency:				
	Sterling \$'000	Israeli New Shekels \$'000	US dollars \$'000	2019 Total \$'000
Loan notes	-	-	161	161
Bank loans	17,052	21,600	136,698	175,350
Arrangement fees	-	-	(5,721)	(5,721)
	17,052	21,600	131,138	169,790

The bank loans balance above is shown net of arrangement fees of \$5,721k which will continue to be amortised over the 7-year term of the financing facility.

The principal features of the group's borrowings are as follows.

The group's principal bank loans are comprised 6 different facilities:

- 1) A secured loan of GBP 13m (Facility B1)
- 2) A secured loan of ILS 74.7m (Facility B1)
- 3) A secured loan of USD 123m (Facility B2)

These loans were undertaken to fund the acquisition of Jupiter Topco Limited. These loans were all taken out on 3rd October 2019. There are no capital repayments required on these facilities.

- 4) A secured loan of \$30m denominated in USD (Acquisition/Capex facility 1)
- 5) A secured loan of \$80m denominated in USD (Acquisition/Capex facility 2)
- 6) A secured loan of \$20m denominated in USD (Revolving facility)

All of the above loans form part of a Senior Funding Agreement and are secured by a floating charge over certain of the group's assets.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

18. Borrowings (continued)

The weighted average interest rates paid during the period from 1 July 2019 to 31 December 2019 were as follows:

	Period from 1 July 2019 to 31 December 2019 %
Bank loans	7.1

Effective 31 December 2019, the Group entered into the following interest rate and currency swaps:

- USD 46,000,000 - Pay: 1.7280% / Receive: USD 6M LIBOR - IR Swap - Maturity Date: 2022-12-31
- Cross-Currency Swap - Pay ILS 6.320% / Receive USD 6M Libor + 625bps - Maturity Date: 2022-12-31
- Cross-Currency Swap - Pay ILS 6.365% / Receive USD 6M Libor + 625bps - Maturity Date: 2022-12-31

The above swaps have a fair value of (loss) \$831k as at 31 December 2019. The swaps are settled every 6 months with a final maturity date of 31 December 2022.

Revolving credit facility

The Group has available drawings under the Revolving Credit Facility of \$20.0m, of which \$13.7m was drawn down and remained in place as at the period end.

19. Deferred tax

The following are the deferred tax liabilities and assets recognised by the group and movements thereon during the current and prior reporting period.

Deferred tax liabilities

	Acquisition of subsidiary \$'000	Created on consolidation \$'000	(Credit) to income statement \$'000	Balance as of December 31, 2019 \$'000
Provisions	5,357	-	(803)	4,554
Creation of intangibles on consolidation	-	48,361	(1,320)	47,041
Foreign exchange adjustments	24	-	-	24
	<u>5,381</u>	<u>48,361</u>	<u>(2,123)</u>	<u>51,619</u>

No deferred tax liability is recognised on temporary differences of \$4.5m relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

There is unprovided deferred tax on losses of \$899k.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

20. Trade and other payables

	2019 \$'000
Trade payables	5,085
Employees and other payroll liabilities	8,879
Accrued expenses	13,396
Corporation tax	299
Other payables	1,340
Contract liabilities	147
Deferred consideration	2,172
Amounts owed to parent	108,179
Total trade and other payables	139,497

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 to 60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. The directors consider that the carrying amount of trade payables approximates to their fair value.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

21. Provisions

	Severance	Dilapidations	Other	Total
	\$'000	\$'000	\$'000	\$'000
1 July 2019	-	-	-	-
Acquisitions	1,689	533	610	2,832
Charged to income statement	163	-	16	179
31 December 2019	1,852	533	626	3,011
Classified as current	1,852	-	-	1,852
Classified as non-current	-	533	626	1,159
Total	1,852	533	626	3,011

The provision for severance pay is a statutory requirement in Israel and has been calculated using actuarial estimates provided by a qualified actuary. The present value of the defined benefit liability and the related cost of current and past service were measured using the projected unit credit method.

The provision for dilapidations is in respect of property lease that contain requirements for the premises to be returned in their original state on the conclusion of the lease terms.

The 'other' provisions relate to existing legal disputes within the Group. See note 3.14 for details on accounting policies with respect to provisions.

These provisions are estimates because actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the future liability will be accounted for when such determination is made.

22. Share capital

	2019 \$'000
Issued and fully paid:	
138,713,065 ordinary shares of \$1 each	<u>138,713</u>

Ordinary Shares carry 1 voting right each. 100% of the share capital is owned by Quantum Holding Finco Limited.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

23. Acquisitions

Jupiter Topco Limited (Qualitest) – Share purchase

On 3 October 2019 the Group acquired 100% of the share capital of Jupiter Topco Limited (QualiTest). The company is a leading provider of tailored solutions in software testing, quality assurance and test consultancy in the US, UK, Israel and India, providing performance and functional testing, bespoke automation tools and digital transformation assurance services. The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	\$'000
Trade and other receivables	42,832
Right of use-assets (note 15)	10,117
Property, plant and equipment (note 14)	2,629
Trademark (note 13)	41,737
Developed technology (note 13)	18,870
Client relationships (note 13)	219,458
Software (note 3)	1,409
Trade and other payables	(38,535)
Lease commitments	(10,151)
Provisions (note 21)	(2,767)
Deferred consideration	(1,689)
Current and deferred taxes	(7,145)
Borrowings	(2,932)
Total identifiable assets	273,833
 Goodwill (note 12)	 140,882
Deferred tax arising on consolidation	(47,611)
 Total identifiable net assets at fair value, net of cash acquired	 367,104
Satisfied by:	
Cash	310,450
(less cash acquired)	(7,376)
Equity and debt instruments (see below for breakdown)	17,335
Borrowings settled	46,695
 Total purchase consideration	 367,104
 Net cash outflow arising on acquisition:	
Cash consideration	357,145
Less: cash and cash equivalent balances acquired	(7,376)
	349,769

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

23. Acquisitions (continued)

Acquisition-related costs (included in administrative expenses) amount to \$16.0m.

Qualitest contributed all the revenue of the Group from the date of acquisition until the end of the period. If the acquisition had occurred at the start of the financial period, 1 July 2019, consolidated pro-forma revenue and loss for the period would have been \$111,167k and \$38,450k respectively.

The goodwill recognised on the transaction primarily relates to 'assembly of workforce', which is not a separately recognised intangible.

Equity and debt instruments issued:

Instrument	\$'000
Priority shares - Quantum Holding Topco Limited	13,715
A Ordinary shares - Quantum Holding Topco Limited	22
B Ordinary shares - Quantum Holding Topco Limited	33
C Ordinary shares - Quantum Holding Topco Limited	92
D Ordinary shares - Quantum Holding Topco Limited	23
Loan notes - Quantum Holding Topco Limited	2,952
Loan notes - Quantum Holding Finco Limited	498
Total	17,335

The above debt and equity instruments have been valued at their issue price.

AlgoTrace Limited – Share purchase

On 24 December 2019 the Group acquired 100% of the share capital of AlgoTrace Limited, a company incorporated in Israel. AlgoTrace specialises in and develops test automation software.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	\$'000
Trade and other receivables	43
Software (note 13)	4,410
Property, plant and equipment (note 14)	4
Trade and other payables	(411)
Provisions (note 21)	(65)
Total identifiable assets	3,981
Goodwill (note 12)	807
Deferred tax arising on consolidation	(750)
Total identifiable net assets at fair value, net of cash acquired	4,038

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

23. Acquisitions (continued)

Satisfied by:

Cash	3,225
(less cash acquired)	(118)
Equity (see below for breakdown)	528
Contingent consideration	403

Total purchase consideration	4,038
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Net cash outflow arising on acquisition:

Cash consideration	3,225
Less: cash and cash equivalent balances acquired	(118)
	3,107

Equity and debt instruments issued:

Instrument	Fair Value \$'000
B Ordinary shares - Quantum Holding Topco Limited	292
A Ordinary shares - Quantum Holding Topco Limited	65
Priority shares - Quantum Holding Topco Limited	171
Total	528

The A and B Ordinary shares have been valued using a Monte Carlo simulation model based on a 6 year vesting period. See note 27 for further details on methodology and assumptions. The Priority shares have been valued by discounting future expected cashflows by the groups weighted-average cost of capital.

Acquisition-related costs (included in administrative expenses) amount to \$0.5m.

Algotrace contributed no revenues nor profit to the Group from the date of acquisition until the end of the period. If the acquisition had occurred at the start of the financial period, 1 July 2019, consolidated pro-forma revenue and loss for the period would have been \$52,577k and \$29,166k respectively.

The goodwill recognised on the transaction primarily relates to 'assembly of workforce', which is not a separately recognised intangible.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

24. Cash used in operations

	Period from 1 July 2019 to 31 December 2019 \$'000
Loss for the financial period	(29,012)
Adjustments for:	
Depreciation of property, plant and equipment (note 14)	199
Depreciation of right-of-use assets (note 15)	824
Amortisation of intangible assets (note 13)	9,132
Increase in provisions	179
Finance costs	5,748
Income tax credit	(1,895)
	<hr/>
Operating cash flows before movements in working capital	(14,825)
Increase in receivables	(637)
Decrease in payables	(9,746)
	<hr/>
Cash used in operations	<u>(25,208)</u>

Cash and cash equivalents comprise cash. The group did not have an overdraft as at 31 December 2019. The carrying amount of these assets is approximately equal to their fair value.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

25. Lease liability

Future minimum lease payments as at 31 December 2019 are as follows:

	\$'000
Carrying amount of liability due within 1 year	2,780
Carrying amount of liability due after 1 year	7,595
Total Carrying amount of liability	10,375
Due within 1 year	2,780
Due between 1 - 5 years	7,231
Due after 5 years	364
Total lease liability	10,375

The Group has applied the principles of IFRS 16 Leases from incorporation. On acquisition of Jupiter Topco Limited on 3rd October 2019, the Group acquired right-of-use assets of \$10,117k and a corresponding lease liability of \$10,151. The lease liability is unwound in line with contractual rental payments, with an imputed interest rate of 5.1%.

26. Financial Instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings disclosed in note 18 after deducting cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests).

The Group is not subject to any externally imposed capital requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

26. Financial Instruments (continued)

Categories of financial instruments

	2019 \$'000
Financial assets	
Cash and bank balances	7,922
Loans and receivables	31,263
Financial liabilities	180,596
Accounts payable and borrowings	

Financial risk management objectives

The Group Finance function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using natural hedges against these risk exposures.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below).

Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. At the time of this report the Group was still reviewing its risk policy on using forward foreign exchange contracts or similar financial instruments. The Group has denominated its borrowings in currencies which match with the currencies it trades in to create a "natural hedge".

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

26. Financial Instruments (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	<u>Assets</u>	<u>Liabilities</u>
Israeli New Shekel	17,457	22,989
US Dollars	12,263	138,110
British Pound	7,064	19,222
Other	<u>1,399</u>	<u>114</u>
Total	38,183	180,435

Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. The Group closely monitors the impact of changing interest rates on the bank covenant and is reviewing its risk policy and the use of derivative contracts.

The Group's exposures to interest rates on its financial liabilities are detailed in the liquidity risk management section of this note.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any other counterparty did not exceed ten per cent of gross monetary assets at any time during the year.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The maximum exposure to credit risk at the end of the reporting period is \$42.8m with respect to accounts receivable and contract assets.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

26. Financial Instruments (continued)

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

	Current - 90 days	>90 days
Higher risk	nil	25%
Normal risk	nil	15%
Low risk	nil	nil

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are set out below.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. As disclosed in the note 18 the Group uses swap facilities to fix the rate of interest on its borrowings with lenders. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the Group may be required to pay.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

26. Financial Instruments (continued)

	Weighted average effective interest rate	Less than 1 year	5+ years	Total
	%	\$'000	\$'000	\$'000
31 December 2019				
Non-interest bearing	-	5,085		5,085
Variable interest rate instruments	7.1	-	175,350	175,350
Fixed interest rate instruments	10	-	161	161
	<u>6.9</u>	<u>5,085</u>	<u>175,511</u>	<u>180,596</u>

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the reporting date.

The Group has access to financing facilities as described below, of which \$115m were unused at the balance sheet date. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

Financing facilities

	2019 \$m
Secured bank loan facilities with maturity dates through to 2026 and which may be extended by mutual agreement:	
- amount used	175
- amount unused	115
	<u>290</u>

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

27. Share based payments

During the period the group operated a Sweet Equity Scheme comprised of C and D Ordinary Shares in Quantum Holding Topco Limited, the indirect parent of the group. Under IFRS 2, the share-based payments granted must be measured on a "fair value" basis as at the grant date of the awards and the relevant charge entered into the income statement.

As at 31 December 2019, 150,583 C and D shares were in issue. The fair value of these shares have been assessed at \$15,873k using a Monte Carlo simulation model based on a 6 year vesting period and an assumption that only 70% will vest. Within administrative expenses in the income statement there is a charge of \$657k which represents the fair value of the scheme being charged straight-line over the vesting period. For the purposes of accounting treatment the shares are considered to be equity settled. The liability is within amounts owed to parent.

The inputs to the model and fair value charge are:

Vesting period	6 years from grant
Assumed Risk-free rate	1.34%-1.45%
Dividend Yield	0.00%
Volatility	32.12%-35.23%
Fair value of shares	\$15,873,000
Vesting assumption	70%
Granted in period	150,583
Charge in period	\$657,000

28. Related party transactions

Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the group and its associates are disclosed below.

Aggregate directors' remuneration

The total amounts for directors' remuneration in the financial period were as follows:

	Period from 1 July 2019 to 31 December 2019 \$'000
Salaries, fees, bonuses and benefits in kind	1,876
Pension contributions	2
	<hr/>
	1,878

During the period the highest paid Director received remuneration totalling \$1,802k. No contributions were made in respect of money purchase schemes.

One director was a member of a money purchase scheme. Contributions into the scheme totalled \$2k.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

28. Related party transactions (continued)

Other related party transactions

During the period the group made foreign currency purchases to the value of \$2.7m from a supplier which shares the same ultimate parent company and ultimate controlling party as the group. The transactions were conducted on normal arm's length commercial terms.

Included in other payables is \$0.4m which relates to contingent consideration payable to the sellers of Exporior Limited.

Included in other payables is \$0.9m which relates to deferred consideration payable to the sellers of Qualitest Ltd.

29. Controlling party

The Company's ultimate parent Company and ultimate controlling party is Atlantic Investments Holdings Limited, a Company incorporated in England. The parent undertaking of the smallest and largest group, which includes the Company and for which group financial statements are prepared, is Quantum Holding Topco Limited, a Company incorporated in Great Britain, 1 Appold Street, London, England, EC2A 2UT. Copies of the group financial statements of Quantum Holding Topco Limited are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ. The Company's immediate controlling party is Quantum Holding Finco Limited.

30. Company result for the period

As permitted by section 408 of the Companies Act 2006 the company has elected not to present its own income statement nor cashflow for the period. The company reported no profit for the period from 1 July 2019 to 31 December 2019.

The auditors' remuneration for audit and other services is borne by fellow group companies and is disclosed in note 7 to the consolidated financial statements. No recharge is made to the company.

The Directors of the company are paid by fellow group companies and their remuneration is included in note 28 to the consolidated financial statements. No recharge is made to the company. The company has no employees.

31. Investment in subsidiaries

	\$'000
Cost	
At 1 July 2019	-
Investment in period	<u>138,713</u>
Carrying amount	
At 31 December 2019	<u>138,713</u>

The investment relates to 100% of the share capital of Quantum Holding Midco 1 Limited's sole directly held subsidiary Quantum Holding Midco 2 Limited.

Quantum Holding Midco 1 Limited

Notes to the financial statements

For the period from 1 July 2019 to 31 December 2019

32. Trade and other receivables

	2019 \$'000
Amounts owed by group undertakings	2,396
Loan notes receivable	161
	<hr/>
	2,557
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Both the above balances are owed by Quantum Holding Midco 2 Limited, a wholly owned subsidiary of the Company. Interest is payable on the loan notes at a rate of 10% per annum (no interest is due on the receivable balance). If Quantum Holding Midco 2 Limited was to be liquidated, repayment of the loan notes, related accrued interest and receivables balances is prioritised over payments to equity shareholders. As at 31 December 2019 Quantum Holding Midco 2 Limited had a net asset balance of \$139m and therefore management have assessed the estimated credit loss against both the receivable and loan note balance due from Quantum Holding Midco 2 Limited to be immaterial. The amounts owed by group undertakings bear no interest. The loan notes receivable bear interest at 10% per annum. There is no accrued interest as at year end.

33. Trade and other payables

	2019 \$'000
Amounts owed to group undertakings	2,396
Loan notes payable	161
	<hr/>
	2,557
	<hr/>

The above balances are owed to Quantum Holding Finco Limited, the parent company of Quantum Holding Midco 1 Limited. The amounts owed to group undertakings bear no interest. The loan notes payable bear interest at 10% per annum. There is no accrued interest as at year end.

34. Post balance sheet events

In March 2020, the Group has drawn down its full \$20.0m rolling credit facility in order to further strengthen the capital structure. The rolling credit facility is due for repayment by September 2026.

On 11 March 2020 the World Health Organisation declared the Covid-19 coronavirus a pandemic. Whilst the long-term impact of the pandemic on the Group's operations is unclear, the impact on operations to date has not been significant. The Directors consider this to be a non-adjusting post-balance sheet event and therefore there is no impact on the carrying value of assets and liabilities held as at 31 December 2019. The assessment of the ability of the group to operate on a going concern basis is disclosed in note 3.3.

On the 4th of February 2020 the group sold part of its Romania operations as a going concern.