REGISTERED NUMBER: 01283512 (England and Wales)

Strategic Report, Report of the Directors and

Financial Statements for the Year Ended 31 December 2020

for

EXELA TECHNOLOGIES LIMITED

Contents of the Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2020

Company Information
FOR THE YEAR ENDED 31 DECEMBER 2020

DIRECTORS:	J H Chhaya V Robu
SECRETARY:	J H Chhaya
REGISTERED OFFICE:	Baronsmede The Avenue Egham TW20 9AB
REGISTERED NUMBER:	01283512 (England and Wales)
AUDITORS:	Butler & Co LLP Chartered Accountants & Statutory Auditor Third Floor 126-134 Baker Street London W1U 6UE

Strategic Report
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their strategic report for the year ended 31 December 2020.

Exela Technologies Limited, (the Company), is a leader in providing business process outsourcing services (BPO), integrated solutions and support services to most business sectors including financial services, banking, telecommunications and utilities. Its portfolio of products includes systems for payments, document content management, data capture, mortgage processing, pre-paid card servicing, metals trading and the development of turn-key imaging systems. Maintenance and support services are provided via a nationwide network of support staff.

REVIEW OF BUSINESS
The Company's recurring revenues remain strong and provide a firm basis for it to continue to develop products and services.

The Company will continue to invest in all parts of the business to develop and provide products and solutions that align with this strategy.

The Company operates a branch in the Republic of Ireland and Serbia. Serbia is the cost center and does not have any revenue.

Key performance indicators used by management are structured around growth, profitability and efficiency of service.

PRINCIPAL RISKS AND UNCERTAINTIES
The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The Company does not use financial derivatives.

Credit risk

The Company's principal financial assets are bank balances, cash, trade and other receivables.

Any exposure to credit risk arises primarily from the Company's trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The credit risk is limited as the Company's major customers are banks with high credit ratings assigned by international credit rating agencies. The Company trades with a varied spread of customers mainly from diverse blue chip sectors and therefore has no significant concentration of credit risk.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Company does not use foreign exchange forward contracts.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company actively monitors its cash flows, expected liabilities and ensures that it has the resources to meet its liabilities as they fall due at all times.

Coronavirus

The Company has taken all measures required by the UK Government for the safety of employees, property and customers. There has been no significant impact on supply of services and goods required to service delivery to customers. Employees can work remotely where this is possible and continue to do so in the current climate.

Strategic Report
FOR THE YEAR ENDED 31 DECEMBER 2020

GOING CONCERN
The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The majority of revenues are derived from large financial institutions and other government departments/similarly large organisations. After the initial coronavirus lockdown in March 2020, the Company experienced a decline in daily volumes at processing centres however volumes returned to normal by the end of Q2 2020 as restrictions were eased. A similar pattern has been seen in the subsequent lockdowns. There has been slower than hoped growth from new customers and projects during the pandemic. The Company has not encountered a significant impact on the recoverability of trade debtors. The Company has obtained additional external funding through additional bank loans.

The directors have prepared cashflow forecasts for the period to 31 Dec 2022 which indicate that, taking into account the current and anticipated impact of the COVID pandemic, including severe but plausible downsides in revenues and working capital movements, the Company will have sufficient funds, through funding from its ultimate parent company, Exela Technologies Inc. to meet its liabilities as they fall due for that period.

Exela Technologies Inc. has indicated its intention to continue to provide financial and other support to the Company, including not seeking repayment of amounts currently made available, for at least for the next twelve months from the date of approval of these financial statements to enable it to meet its financial liabilities as they fall due and continue to trade. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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

Strategic Report
FOR THE YEAR ENDED 31 DECEMBER 2020

SECTION 172 (1) STATEMENT AND STATEMENTS ON ENGAGEMENT WITH EMPLOYEES, SUPPLIERS, CUSTOMERS AND OTHERS

We report here on how the Company's directors have performed their duty under Section 172 (S.172) of the Companies Act 2006. S.172 sets out a series of matters to which the directors' must have regard in performing their duty to promote the success of the Company for the benefits of its shareholders while also having due regard to other stakeholders.

Stakeholder	Why are they important to Exela	Our approach
Customers	They are the reasons why we exist. Understanding their needs is key to our long term success	The Board receives regular reports on customer requirements and customer feed-back and monitors these metrics
Our people	Our staff are the key to providing a cost effective and efficient service	There is employee engagement through staff reviews, employee forums, project meetings and rewards structures.
Suppliers	Strong and reliable relationships are vital to enable us to provide an efficient service to customers	Regular board assessments of protocols in procurement and out- sourcing are done.There is adherence to anti-slavery Protocols.
Communities	Our customers and staff are part of the UK and global community we operate in. A reputation of being ethical, diverse and eco-friendlyis vital to our success.	The board encourages the use of eco-friendly work policies.The board regularly monitors company policies for matters like diversity and ethical behaviour.
Regulators	We are not subject to specific protocols in terms of a defined Regulator. However, compliance in all statutory matters is a culture that provides good governance.	The board reviews regular updates on all compliance issues and time limits
Shareholders	We are part of a group that is ultimately controlled by retail and institutional shareholders.	The board provides regular updates to the Group Board on all matters that impact this company.
Long term sustainability	The long-term sustainability ofthe Company is at the forefront of decision-making, particularly inresponse to the challenging business conditions and, since the year end, the Coronavirus pandemic.	The board aims to balance the needof the employees, the customers and other stakeholders to ensure good and healthy relationship.The board aims to make sufficient Profit to sustain the entity's commercial vitality.

This report was approved by the Board of directors and signed on its behalf by:

ON BEHALF OF THE BOARD:

J H Chhaya - Director

Report of the Directors
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report with the financial statements of the company for the year ended 31 December 2020.

DIVIDENDS
No dividends will be distributed for the year ended 31 December 2020.

DIRECTORS
J H Chhaya has held office during the whole of the period from 1 January 2020 to the date of this report.

Other changes in directors holding office are as follows:

V Robu was appointed as a director after 31 December 2020 but prior to the date of this report.

S J Downey ceased to be a director after 31 December 2020 but prior to the date of this report.

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS
The auditors, Butler & Co LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

J H Chhaya - Director

29 September 2021

Opinion
We have audited the financial statements of Exela Technologies Limited (the 'company') for the year ended 31 December 2020 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of uncertainties due to the COVID19 pandemic on our audit

Uncertainties related to the effects of COVID19 are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

COVID19 is one of the most significant public health, social and economic event and at the date of this report, its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardise firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for the company and this is particularly the case in relation to COVID19.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

Other information
The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

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

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 a Report of the Auditors 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Enquiries of management, concerning the company's policies and procedures relating to:

- Identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance

- Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud.

- Discussions among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

- Performed analytical procedures to identify any unusual relationships.
- Tested journal entries to identify unusual transactions.

We also obtained an understanding of the legal and regulatory frameworks that the company operates in.

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

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

Sanjeev Phadke (Senior Statutory Auditor)
for and on behalf of Butler & Co LLP
Chartered Accountants
& Statutory Auditor
Third Floor
126-134 Baker Street
London
W1U 6UE

29 September 2021

Income Statement
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
TURNOVER	3		32,205		36,958
Cost of sales			24,976		29,150
GROSS PROFIT			7,229		7,808
Administrative expenses			10,623		9,838
			(3,394)		(2,030)
Other operating income			4,278		2,517
OPERATING PROFIT	5		884		487
Interest payable and similar expenses	6	335		252	
Other finance costs	19	404		451	
			739		703
PROFIT/(LOSS) BEFORE TAXATION			145		(216)
Tax on profit/(loss)	7		5		(2)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR			140		(214)

The notes form part of these financial statements

Other Comprehensive Income
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
PROFIT/(LOSS) FOR THE YEAR		140	(214)
OTHER COMPREHENSIVE INCOME			
Remeasurement of the net defined benefit		(4,893)	(2,410)
Income tax on other comprehensive income			
Income tax relating to other comprehensive income		1,184	410
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		(3,709)	(2,000)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(3,569)	(2,214)

The notes form part of these financial statements

Balance Sheet
31 DECEMBER 2020

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
FIXED ASSETS					
Intangible assets	8		322		483
Tangible assets	9		3,682		4,140
Investments	10		1,156		1,156
			5,160		5,779
CURRENT ASSETS					
Stocks	11	749		747	
Debtors	12	56,822		50,528	
Cash at bank and in hand		3,738		279	
		61,309		51,554	
CREDITORS					
Amounts falling due within one year	13	29,079		24,105	
NET CURRENT ASSETS			32,230		27,449
TOTAL ASSETS LESS CURRENT LIABILITIES			37,390		33,228
CREDITORS					
Amounts falling due after more than one year	14		(13,016)		(9,022)
PROVISIONS FOR LIABILITIES	16		(100)		(100)
PENSION LIABILITY	19		(21,775)		(18,038)
NET ASSETS			2,499		6,068
CAPITAL AND RESERVES					
Called up share capital	17		100		100
Retained earnings	18		2,399		5,968
SHAREHOLDERS' FUNDS			2,499		6,068

The financial statements were authorised for issue by the Board of Directors and authorised for issue on 29 September 2021 and were signed on its behalf by:

J H Chhaya - Director

V Robu - Director

The notes form part of these financial statements

Statement of Changes in Equity
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019	100	8,182	8,282
Changes in equity			
Total comprehensive income	-	(2,214)	(2,214)
Balance at 31 December 2019	100	5,968	6,068
Changes in equity			
Total comprehensive income	-	(3,569)	(3,569)
Balance at 31 December 2020	100	2,399	2,499

The notes form part of these financial statements

Notes to the Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2020

1. **STATUTORY INFORMATION**

Exela Technologies Ltd (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Exela Technologies, Inc., incorporated in the USA, whose principal place of business is at 2701 E Grauwyler Road, Irving, Texas 75061 includes the Company in its consolidated financial statements. The group accounts of Exela Technologies, Inc. prepared in accordance with US GAAP can be obtained from this address or www.sec.gov. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries; and
- Key Management Personnel compensation.

As the consolidated financial statements of intermediate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the disclosures required by FRS102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

2. **ACCOUNTING POLICIES**

Basis of preparing the financial statements
These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

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

- the requirements of Section 7 Statement of Cash Flows.

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2. **ACCOUNTING POLICIES - continued**

Revenue recognition
The Company recognises hardware and software revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectability is probable. For those transactions that involve acceptance certificates, the Company recognises revenue upon receipt of the acceptance certificate, or when it can be objectively demonstrated that acceptance criteria have been met. For hardware transactions where software is considered incidental, or no software is included, revenue is recognised when the product has been delivered and all obligations have been fulfilled.

The Company recognises revenue from sales of equipment and supplies upon delivery and transfer of title or upon customer acceptance.

The Company undertakes to maintain customers' software under maintenance contracts for which the Company receives payment quarterly, half-yearly and annually in advance. Such income is released to the profit and loss account on a straight-line basis over the life of the contract. Where contracts consist of multiple elements, revenue is allocated based on the fair value of the individual elements. Maintenance costs are expensed as they are incurred.

The Company's service revenue is primarily billed based on contractual rates and terms, and the Company generally recognises revenue as these services are performed which, in some cases, is rateably over the contract term. Certain customers advance funds prior to the performance of the services. The Company recognises revenue related to these advances rateably over the contract term.

Intangible assets
Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Computer software is being amortised evenly over the period over which its benefit is expected to arise.

Tangible fixed assets
Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Leasehold improvements - 25 years
Plant and machinery - 3 years
Motor vehicles - 4 years
Fixtures and fittings - 3-5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Investments in subsidiaries
Investments in subsidiary undertakings are recognised at cost.

Stocks
Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

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2. **ACCOUNTING POLICIES - continued**

Taxation

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

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

Deferred tax

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes.

The capitalised development costs are amortised over the period during which the Company is expected to benefit. This period is between three and five years. The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Intangible assets are tested for impairment when there is an indication that an intangible asset may be impaired.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

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2. **ACCOUNTING POLICIES - continued**

Pension costs and other post-retirement benefits
Defined contribution plans

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

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

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2. **ACCOUNTING POLICIES - continued**

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The majority of revenues are derived from large financial institutions and other government departments/similarly large organisations. After the initial coronavirus lockdown in March 2020, the Company experienced a decline in daily volumes at processing centres however volumes returned to normal by the end of Q2 2020 as restrictions were eased. A similar pattern has been seen in the subsequent lockdowns. There has been slower than hoped growth from new customers and projects during the pandemic. The Company has not encountered a significant impact on the recoverability of trade debtors. The Company has obtained additional external funding through additional bank loans.

The directors have prepared cashflow forecasts for the period to 31 Dec 2022 which indicate that, taking into account the current and anticipated impact of the COVID pandemic, including severe but plausible downsides in revenues and working capital movements, the Company will have sufficient funds, through funding from its ultimate parent company, Exela Technologies Inc. to meet its liabilities as they fall due for that period.

Exela Technologies Inc. has indicated its intention to continue to provide financial and other support to the Company, including not seeking repayment of amounts currently made available, for at least for the next twelve months from the date of approval of these financial statements to enable it to meet its financial liabilities as they fall due and continue to trade. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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

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2. **ACCOUNTING POLICIES - continued**

Impairment excluding stocks and deferred tax assets
Financial assets (including trade and other debtors)

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

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

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

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

Expenses
Operating lease
Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease.

Finance lease
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable
Interest payable and similar charges include interest payable to bank and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

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3. TURNOVER

The turnover and profit (2019 - loss) before taxation are attributable to the principal activities of the company.

An analysis of turnover by class of business is given below:

	2020	2019
	£'000	£'000
Business Process Outsourcing	23,084	25,880
Hardware Maintenance	1,329	2,505
Software Maintenance	3,226	3,958
Prof Services and Consumables	4,509	4,595
Intercompany	57	20
	32,205	36,958

An analysis of turnover by geographical market is given below:

	2020	2019
	£'000	£'000
United Kingdom	24,878	28,739
Ireland	7,327	8,219
	32,205	36,958

4. EMPLOYEES AND DIRECTORS

	2020	2019
	£'000	£'000
Wages and salaries	13,203	16,407
Social security costs	1,249	1,574
Other pension costs	420	472
	14,872	18,453

The average number of employees during the year was as follows:

	2020	2019
Sales	5	8
Software and customer service	396	502
Administration	19	21
Human resources	5	7
	425	538

continued...

	2020	2019
	£'000	£'000
Directors' remuneration	157	242

During the year, retirement benefits were accruing to 1 director (2019: 1) in respect of defined benefit pension schemes:
The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £157,000 (2019: £242,000) and Company Pension contributions of £11,800 (2019 : £11,600) were made to a defined contribution scheme on his behalf. He is a member of a defined benefit scheme, under which his accrued pension at the year- end was £Nil (2019: £61,000).

5. OPERATING PROFIT

The operating profit is stated after charging:

	2020	2019
	£'000	£'000
Depreciation- owned assets	815	790
Amortization expense	1,621	1,683
Auditors' remuneration	80	118
Foreign exchange differences	710	1,949

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020	2019
	£'000	£'000
Bank and finance lease int.	335	252

7. TAXATION

Analysis of the tax charge/(credit)
The tax charge/(credit) on the profit for the year was as follows:

	2020	2019
	£'000	£'000
Current tax:		
UK corporation tax	5	(2)
Tax on profit/(loss)	5	(2)

continued...

7. **TAXATION - continued**

Reconciliation of total tax charge/(credit) included in profit and loss
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2020 £'000	2019 £'000
Profit/(loss) before tax	145	(215)
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	28	(41)
Effects of:		
Expenses not deductible for tax purposes	2	33
Adjustments to tax charge in respect of previous periods	4	1
Effects of overseas tax rates	57	5
Tax rate changes	(192)	1
Non qualifying depreciation	90	-
Other	16	(1)
Total tax charge/(credit)	5	(2)

Tax effects relating to effects of other comprehensive income

2020	Gross £'000	Tax £'000	Net £'000
Remeasurement of the net defined benefit	(4,893)	-	(4,893)
Income tax on other comprehensive income	-	1,184	1,184
	(4,893)	1,184	(3,709)

2019	Gross £'000	Tax £'000	Net £'000
Remeasurement of the net defined benefit	(2,410)	-	(2,410)
Income tax on other comprehensive income	-	410	410
	(2,410)	410	(2,000)

continued...

8. INTANGIBLE FIXED ASSETS

	Computer software £'000
COST	
At 1 January 2020 and 31 December 2020	8,154
AMORTISATION	
At 1 January 2020	7,671
Amortisation for year	161
At 31 December 2020	7,832
NET BOOK VALUE	
At 31 December 2020	322
At 31 December 2019	483

9. TANGIBLE FIXED ASSETS

	Freehold property £'000	Long leasehold £'000	Plant and machinery £'000
COST			
At 1 January 2020	3,555	1,169	7,836
Additions	-	-	10
Disposals	-	(1,169)	-
At 31 December 2020	3,555	-	7,846
DEPRECIATION			
At 1 January 2020	418	1,169	7,779
Charge for year	144	-	29
Eliminated on disposal	-	(1,169)	-
At 31 December 2020	562	-	7,808
NET BOOK VALUE			
At 31 December 2020	2,993	-	38
At 31 December 2019	3,137	-	57

continued...

9. TANGIBLE FIXED ASSETS - continued

	Fixtures and fittings £'000	Field spares £'000	Totals £'000
COST			
At 1 January 2020	5,567	1,153	19,280
Additions	350	-	360
Disposals	-	(3)	(1,172)
At 31 December 2020	5,917	1,150	18,468
DEPRECIATION			
At 1 January 2020	4,762	1,012	15,140
Charge for year	642	-	815
Eliminated on disposal	-	-	(1,169)
At 31 December 2020	5,404	1,012	14,786
NET BOOK VALUE			
At 31 December 2020	513	138	3,682
At 31 December 2019	805	141	4,140

The assets held under finance leases or hire purchase contracts, included above, are as follows:

	Fixtures & Fittings £'000
Cost	
At 1 January 2020 and 31 December 2020	1,420
Depreciation	
At 1 January 2020	1,107
Charge for the year	129
At 31 December 2020	1,236
Net book value	
At 31 December 2020	184
At 31 December 2019	313

10. FIXED ASSET INVESTMENTS

	Shares in group undertakings £'000
COST	
At 1 January 2020 and 31 December 2020	1,156
NET BOOK VALUE	
At 31 December 2020	1,156
At 31 December 2019	1,156

continued...

10. **FIXED ASSET INVESTMENTS - continued**

The company's investments at the Balance Sheet date in the share capital of companies include the following:

SDS Applications Limited
Registered office: Baronsmede, The Avenue, Egham, TW20 9AB, UK.
Nature of business: Dormant

Class of shares:	% holding
Ordinary	100.00

	2020 £'000	2019 £'000
Aggregate capital and reserves	1	1

Exela Technologies BV
Registered office: 576B, Herengracht, Amsterdam, The Netherlands.
Nature of business: Information technology

Class of shares:	% holding
Ordinary	100.00

	2020 £'000	2019 £'000
Aggregate capital and reserves	(762)	(193)
Loss for the year	(849)	(544)

11. **STOCKS**

	2020 £'000	2019 £'000
Raw materials	749	747

12. **DEBTORS**

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade debtors	2,996	2,883
Amounts owed by group undertakings	45,989	39,900
Other debtors	1,050	1,896
Tax	-	98
Prepayments	1,376	823
	51,411	45,600
Amounts falling due after more than one year:		
Other debtors	382	1,139
Tax	5,029	3,789
	5,411	4,928
Aggregate amounts	56,822	50,528

continued...

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Bank loans and overdrafts (see note 15)	600	533
Trade creditors	2,273	2,430
Tax	48	-
Social security and other taxes	1,414	1,000
Amounts owed to group undertakings	16,940	12,526
Net obligations under finance leases	438	324
Accrued expenses & def. income	7,366	7,292
	29,079	24,105

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020 £'000	2019 £'000
Bank loans (see note 15)	11,959	6,744
Net obligations under finance leases	7	37
Accruals and deferred income	1,050	2,241
	13,016	9,022

15. LOANS

An analysis of the maturity of loans is given below:

	2020 £'000	2019 £'000
Amounts falling due within one year or on demand:		
Bank loans	600	533
Amounts falling due between two and five years:		
Bank loans - 2-5 years	11,959	6,744

The loans from HSBC Bank are secured as follows:

- On the freehold property at 20 The Avenue, Egham, Surrey, TW20 9AB
- Fixed and floating charge on all the property or undertaking of the company.

16. PROVISIONS FOR LIABILITIES

	2020 £'000	2019 £'000
Other provisions		
Dilapidations	100	100

17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2020 £'000	2019 £'000
100,000	Ordinary	£1	100	100

18. RESERVES

	Retained earnings £'000
At 1 January 2020	5,968
Profit for the year	140
Other comprehensive income	(3,709)
At 31 December 2020	2,399

19. EMPLOYEE BENEFIT OBLIGATIONS

At 31 December 2020, the Company operated pension plans provided through both defined benefit and defined contribution arrangements.

The Company sponsors the Exela Technologies Limited Retirement Benefit Scheme which is a defined benefit arrangement, and additionally five defined contribution schemes. The costs charged for the defined contribution schemes in the year amounted to £363,000 (2019: £451,000). At the end of the financial year, outstanding pension contributions amounted to £187,552 (2019: £208,000).

The Exela Technologies Limited Retirement Benefit Scheme provides benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. The contributions are determined by a qualified actuary.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. As the scheme is closed to new entrants, the current service cost as a percentage of pensionable payroll is likely to increase as the membership ages, although it will be applied to a decreasing pensionable payroll.

The regular contributions payable by the employee over the latest financial year were £NIL (2019: £NIL). In addition, Exela Technologies Limited contributed payments of £1,561,000 (2019: £1,827,000) for the financial year. The Company also meets the costs of death in service benefits and administration expenses.

The trustees' most recent actuarial valuation as at 30 June 2018 showed a deficit of £28,841,000. The company has agreed with the trustees that it will aim to eliminate the deficit over a period of 9 years and 3 months from 30 June 2019.

The best estimate of contributions to be paid by the company to the scheme for the period commencing 1 January 2021 is £2,231,601.

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19. **EMPLOYEE BENEFIT OBLIGATIONS - continued**

The amounts recognised in the balance sheet are as follows:

	Defined benefit pension plans	
	2020	2019
	£'000	£'000
Present value of funded obligations	(83,866)	(73,806)
Fair value of plan assets	62,091	55,768
	(21,775)	(18,038)
Present value of unfunded obligations	-	-
Deficit	(21,775)	(18,038)
Net liability	(21,775)	(18,038)

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	2020	2019
	£'000	£'000
Current service cost	-	-
Net interest from net defined benefit asset/liability	363	451
Past service cost	-	-
Gains/losses on settlements and curtailments	41	-
	404	451
Actual return on plan assets	1,150	1,341

Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plans	
	2020	2019
	£'000	£'000
Opening defined benefit obligation	73,806	64,768
Interest cost	1,513	1,792
Benefits paid & expenses	(3,546)	(2,293)
Losses due to benefit changes	41	-
Oblig other remeasurement	12,052	9,539
	83,866	73,806

continued...

19. **EMPLOYEE BENEFIT OBLIGATIONS - continued**

Changes in the fair value of scheme assets are as follows:

	Defined benefit pension plans	
	2020	2019
	£'000	£'000
Opening fair value of scheme assets	55,768	47,764
Contributions by employer	1,560	1,827
Expected return	1,150	1,341
Benefits paid and expenses	(3,546)	(2,293)
Return on plan assets (excluding interest income)	7,159	7,129
	62,091	55,768

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	2020	2019
	£'000	£'000
Oblig other remeasurement	(12,052)	(9,539)
Return on plan assets (excluding interest income)	7,159	7,129
	(4,893)	(2,410)

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	Defined benefit pension plans	
	2020	2019
Equities	31.86%	29.76%
Bonds	-	9.81%
Diversified growth funds	21.61%	42.60%
Cash	0.51%	1.14%
Liability driven investments	41.64%	16.69%
Multi asset credit	4.38%	-
	100.00%	100.00%

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2020	2019
Discount rate	1.40%	2.10%
Inflation (RPI)	2.90%	2.70%
Inflation (CPI)	2.00%	1.80%
Allowance for pension increases RPI 2.5%	2.10%	2.00%

continued...

19. **EMPLOYEE BENEFIT OBLIGATIONS - continued**

Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.00%	1.80%
Allowance for revaluation of deferred pensions of CPI or 2.5% p.a if less	2.00%	1.80%
Allowance for pension in payment increases of RPI or 5% p.a. if less	2.90%	2.70%

Mortality assumptions used are consistent with those recommended by the scheme actuaries and reflect the latest available tables. The tables used indicate a further life expectancy for a male/female pensioner currently aged 65 of 22.9/25.1 years (2019: 22.9/25.1 years) and a further life expectancy from aged 65 for a male/female non-pensioner member currently aged 45 of 24.2/26.5 years (2019: 24.2/26.5 years).

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The company has proposed that RPI inflation continues to be set in line with market break even expectations less the inflation risk premium. The inflation risk premium has been set at 0.3%, compared with 0.5% in the prior year. The company explained that the change is set to allow for anticipated changes to RPI. For CPI, the company has proposed reducing the long term gap between RPI and CPI by 20 basis points, based on observed market movements, compared with the prior year methodology.