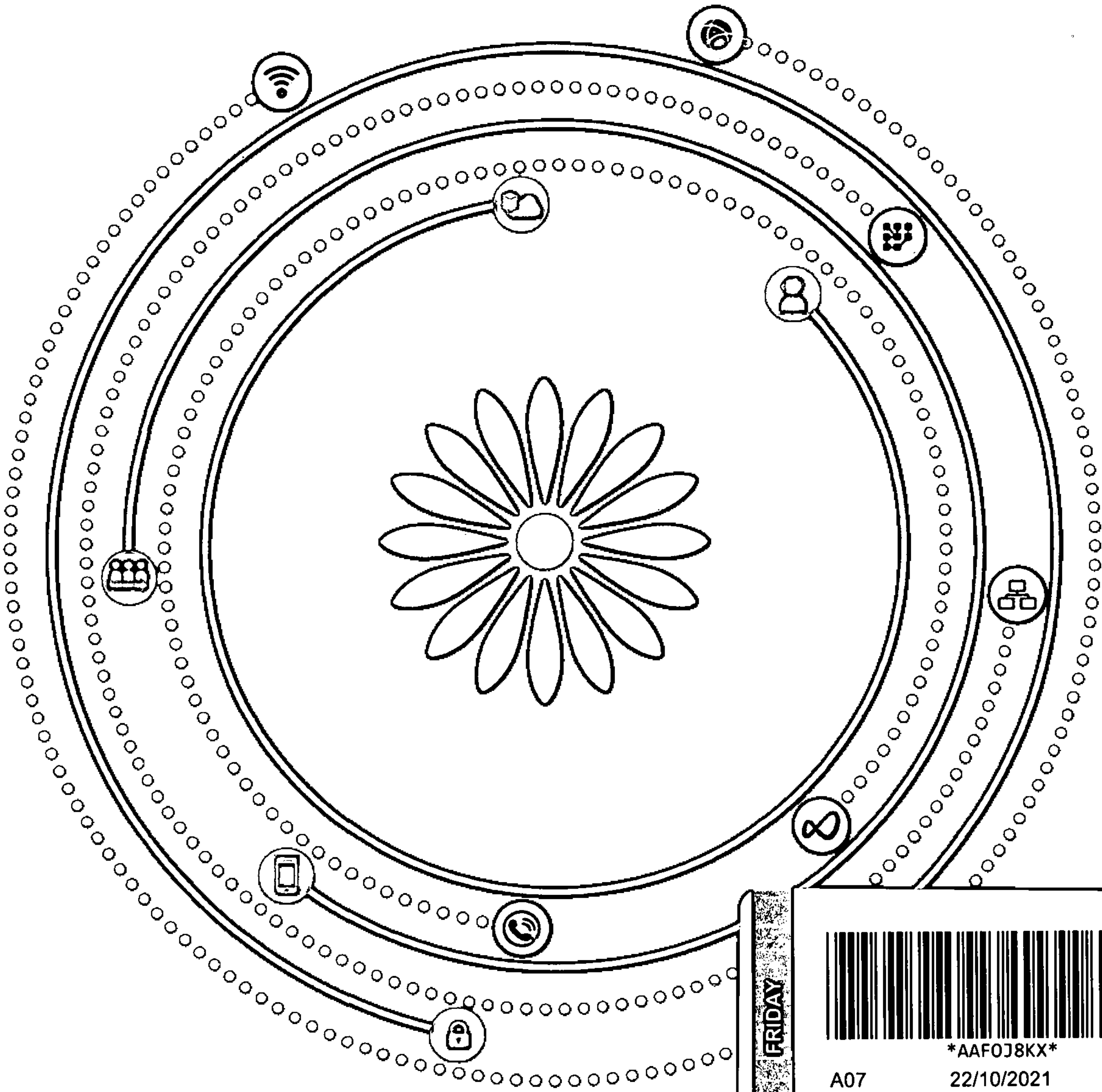

DAISY GROUP HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

we are daisy.

COMPANY NUMBER: 09162741

www.daisygroup.com

Contents

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REGISTERED IN ENGLAND
Number 09162741

Strategic report

PRINCIPAL ACTIVITIES

The directors present a strategic report as required by section 414(A) to 414(D), of the Companies Act 2006.

Daisy Group Holdings Limited ("the Company") is a holding company, incorporated on 5 August 2014. The Company and its subsidiary companies (together "the Group") provide Communications, Cloud and IT services directly to the SME and mid-market business sectors and also indirectly through partners into these channels as well as the larger Enterprise market. The Group provides a combined product set including access, hosting, voice, data, maintenance and support, cloud, managed services, deployment services, mobile telephony, Wi-Fi, security and business continuity solutions.

STRATEGY

The Group is an end-to-end business technology and communications service provider; delivering valuable, converged solutions and services to customers. The Group's strategy is to be the go to digital service provider to help customers in all industries to be more productive and successful, delivering simple packages through to "everything as a service". The Group's aim is to have products and services that are easy to buy, sell and serve through a single, differentiated user experience.

BUSINESS REVIEW

The Group was largely protected from the more serious adverse economic consequences of the Covid-19 pandemic due to the significant proportion of recurring revenue from its customer base and an increased demand for hardware and mobiles as companies sought to better equip their workforce for home-working. The Corporate division successfully delivered 8.3% Adjusted EBITDA growth (after add back of Central income), while the Small to Medium Business ('SMB') division maintained its FY20 performance. This has driven a 44.8% increase in cash flow from operations (from continuing activities) for the Group from the prior year. Despite this, the Allvotec division (and to a lesser extent the Corporate division) suffered from restrictions on their ability to carry out on-site installation work due to Covid-related lockdowns, resulting in Group Adjusted EBITDA for the year of £73.0 million (2020: £76.4 million) after furlough support of £5.9 million (2020: £nil). For Allvotec, where this on-site project work makes up a significant proportion of its business, the directors have reassessed and refined its strategic product offerings and are looking at options to maximise future business growth. Daisy also delivered a key element of its strategic plan with the successful realisation of its Digital Wholesale Solutions ('DWS') division for an enterprise value of £1.0 billion following a number of years of strong growth.

The DWS transaction was accounted for as a distribution at fair value, including other in-year acquisitions rolled into DWS, to the newly incorporated ultimate parent company, Daisy Holdco Limited, which generated a fair value uplift in these consolidated financial statements of £577.2 million, which has been included in the profit from discontinued operations for the year. Further details have been provided below and in note 14 to these financial statements. The directors have written down the Allvotec goodwill balance by £91.0 million in the year to reflect this Covid-19 trading impact, which has been recognised as an exceptional cost in the consolidated income statement. The DWS demerger steps referred to below, together with Allvotec's trading performance, results in an impairment of £268.1 million in the Company's investment in its subsidiary undertakings, which has been recognised as an exceptional cost in the Company's income statement.

On 8 August 2020, Aurora Kendrick James Limited (one of the Group's subsidiary companies during the year) acquired the entire share capital of Union Street Technologies Limited for a consideration of £24.8 million on a cash-free, debt-free basis, which was funded by drawing down an additional incremental senior facility of £22.3 million. On 18 September 2020, Aurora Kendrick James Limited also acquired the entire share capital of Shaftesbury Systems Limited for a consideration of £3.5 million.

On 18 November 2020, Daisy Bidco Limited (a newly formed subsidiary of the Group during the year) acquired the entire share capital of Project Seattle Topco Limited and its subsidiary undertakings (together 'the Giacom group') for a consideration of £70.0 million on a debt-free basis. The acquisition was funded by an additional drawdown of £73.5 million of PIK debt.

On 30 November 2020, Aurora Kendrick James Limited acquired the entire share capital of Elder Studios Limited and its subsidiary undertaking for a consideration of £2.1 million.

Strategic report (continued)

BUSINESS REVIEW (CONTINUED)

On 24 December 2020, contracts were exchanged which would result in the eventual demerger of Digital Wholesale Solutions Holdings Limited, Aurora Kendrick James Limited and their subsidiary undertakings from the Group and the sale of the Giacom Group, which together form the DWS division. As part of the steps plan to effect this demerger of the DWS division from the Daisy Group, the Group's interest in the DWS division was sold on 12 March 2021 for total consideration of £304.0 million to Daisy Holdco Limited, a company incorporated on 15 December 2020 which acquired Daisy Group Holdings Limited by way of a share for share exchange on 8 February 2021, which was settled through the intercompany accounts. On 17 March 2021, the DWS division was demerged from the Daisy Holdco Group and subsequently sold on 31 March 2021 together with the Giacom Group (including Daisy Bidco Limited) for £1.0 billion with a resultant repayment of £696.7 million of the Group's senior and PIK debt (including accrued interest).

As a result of the above transactions, the results of the DWS division have been reported as a discontinued operation in these consolidated financial statements in both the current and prior year with a profit from discontinued operations recognised of £612.8 million (2020: £35.8 million), which includes a £577.2 million fair value uplift on the distribution of the DWS division to Daisy Holdco Limited. Further detail on these discontinued operations has been included in note 14.

The market in which Daisy operates continues to provide strong opportunities for growth and delivery of shareholder value. The Group's strategy is to continue to meet those objectives through a combination of both organic and inorganic growth, while considering opportunities for investment realisations where valuations are favourable, such as with the DWS transaction.

The results below represent the continuing operations of the Group:

Group	**2021 £m**	2020 £m
Revenue	**417.1**	458.0
Gross profit	**224.4**	250.9
Gross margin %	**53.4%**	54.8%
Adjusted EBITDA*	**73.0**	76.4
Adjusted EBITDA %	**17.4%**	16.7%
Operating loss	**(93.3)**	(21.3)
Loss after tax	**(219.2)**	(120.9)
Operating free cash flow**	**60.9**	62.2
Cash generated from operations	**74.0**	51.1

** Adjusted EBITDA is the operating loss from continuing operations before amortisation, depreciation and net exceptional operating costs (see note 7).*

*** Operating free cash flow is Adjusted EBITDA less payments to acquire intangible assets and purchases of property, plant and equipment (see consolidated cash flow statement for further details on page 27).*

Group	**2021 £m**	2020 £m
Adjusted EBITDA	**73.0**	76.4
Amortisation of intangible assets	**(39.4)**	(47.0)
Depreciation	**(21.9)**	(27.5)
Exceptional operating costs – costs directly relating to acquisitions	**-**	(0.5)
Exceptional operating costs – other	**(105.0)**	(22.7)
Operating loss	**(93.3)**	(21.3)

The operating loss of £93.3 million (2020: £21.3 million) incorporates a non-cash amortisation charge of £39.4 million (2020: £47.0 million), which predominantly relates to the customer list assets acquired following the historic acquisitions of Daisy Holdings Limited (formerly Daisy Group Limited, "DGL"), Phoenix IT Group Limited ("Phoenix") and Alternative Networks Limited ("Alternative").

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Strategic report (continued)

BUSINESS REVIEW (CONTINUED)

The Group had net liabilities of £176.8 million (2020: £263.0 million) and net current liabilities at 31 March 2021 of £14.4 million (2020: net current assets of £11.8 million), which includes deferred income of £45.4 million (2020: £53.0 million). The Group generated an operating free cash flow of £60.9 million for the year (2020: £62.2 million), which included a positive working capital movement of £14.7 million (2020: £nil) as a result of the VAT payment deferrals offered by HMRC due to the pandemic. The Group's profit after tax was £393.7 million (2020: loss of £84.6 million) after a profit from discontinued operations of £612.8 million (2020: £35.8 million), exceptional operating costs of £105.0 million (2020: £23.2 million) and net finance costs of £123.1 million (2020: £109.2 million). This underlying result was in line with the funding structure of the Group, which continues to generate significant operating free cash flows.

As a result, the Group's KPIs focus on operating-related measures, which reflect the ability of the Group to generate operating cash flows.

DIVISIONAL REPORTING

The number of operating divisions in the Group reduced from four to three in the year following the demerger and sale of the DWS division with the Group's three remaining operating divisions reflecting the customer segments it serves.

Small to Medium Business ("SMB")
Providing packaged products to customers with up to 250 employees.

Corporate
Providing a comprehensive range of ICT solutions, professional services and managed services to customers with between 250 and 2,000 employees.

Allvotec
Point services through system integrators and large solutions and service providers.

The Group offers the following products and services to its customers, served through its trading divisions.

Voice	fixed line calls and inbound telephony services
Connectivity	broadband, fixed line rentals, ethernet, leased lines, managed billing, bonded DSL, IP VPN/MPLS networks, Wi-Fi and VoIP
Mobility	mobile phones, smart phones, airtime and data provision via service provider and managed contract arrangements and white-label offering from O2 and Vodafone
IT Services	business continuity, maintenance, engineering, equipment, hardware, software and professional services
Cloud	hosting, colocation, disaster recovery, data management and infrastructure and productivity services

Revenue by product

The Group's revenue by product group is set out below:

	2021		2020	
Product	**£m**	**% of total**	£m	% of total
Voice	**21.7**	**5%**	24.9	5%
Connectivity	**92.0**	**22%**	99.1	22%
Mobility	**77.9**	**19%**	91.3	20%
IT services	**182.0**	**44%**	194.9	43%
Cloud	**43.5**	**10%**	47.8	10%
	417.1	**100%**	458.0	100%

Strategic report (continued)

DIVISIONAL REPORTING (CONTINUED)

The product portfolio that Daisy delivers to its customers is diverse but well balanced, covering the broad spectrum of IT and communications services. Traditional voice products continue to decline across the market and account for 5% of Group revenues (2020: 5%), while all of the Group's other revenue streams were adversely affected to some degree by the Covid-19 pandemic. The Group continues to focus on cross-selling in order to enhance product penetration across the customer base.

The financial performance of our divisions is summarised in the following tables. The Covid-19 impact on all divisions' revenue was broadly offset in SMB and Corporate at an Adjusted EBITDA level through furlough support and overhead savings. The Corporate division successfully delivered 8.3% Adjusted EBITDA growth, while the SMB division broadly maintained its FY20 performance. Allvotec's revenue increased slightly year on year with the full year impact of the prior year acquisition of the ISG group largely offset by the impact of lockdown restrictions on its ability to perform on-site installation work, which led to a fall in its Adjusted EBITDA in the year to £1.4 million. All Adjusted EBITDA figures below are shown after the allocation of Central income (see note 4 for further details).

SMB

2021 (£m)	Voice	Connectivity	Mobility	IT services	Cloud	Total
Revenue	12.6	51.8	51.3	8.1	6.3	130.1
Gross profit	8.6	21.0	20.8	4.5	3.8	58.7
Gross margin	*68.3%*	*40.5%*	*40.5%*	*55.6%*	*60.3%*	*45.1%*
Adjusted EBITDA						29.6
Adjusted EBITDA %						*22.8%*

2020 (£m)	Voice	Connectivity	Mobility	IT services	Cloud	Total
Revenue	14.4	56.5	59.0	10.3	5.0	145.2
Gross profit	9.8	25.2	21.7	6.1	1.5	64.3
Gross margin	*68.1%*	*44.6%*	*36.8%*	*59.2%*	*30.0%*	*44.3%*
Adjusted EBITDA						29.8
Adjusted EBITDA %						*20.5%*

Corporate

2021 (£m)	Voice	Connectivity	Mobility	IT services	Cloud	Total
Revenue	9.1	40.1	26.5	93.6	29.6	198.9
Gross profit	4.9	13.4	12.9	52.6	16.7	100.5
Gross margin	*53.8%*	*33.4%*	*48.7%*	*56.2%*	*56.4%*	*50.5%*
Adjusted EBITDA						41.7
Adjusted EBITDA %						*21.0%*

2020 (£m)	Voice	Connectivity	Mobility	IT services	Cloud	Total
Revenue	10.5	42.5	32.3	105.9	34.3	225.5
Gross profit	5.8	13.7	14.1	55.1	20.9	109.6
Gross margin	*55.2%*	*32.2%*	*43.7%*	*52.0%*	*60.9%*	*48.6%*
Adjusted EBITDA						38.5
Adjusted EBITDA %						*17.1%*

Allvotec

2021 (£m)	Voice	Connectivity	Mobility	IT services	Cloud	Total
Revenue	-	0.1	-	80.3	7.6	88.0
Gross profit	-	0.1	-	58.7	6.3	65.1
Gross margin	-	*100.0%*	-	*73.1%*	*82.9%*	*74.0%*
Adjusted EBITDA						1.4
Adjusted EBITDA %						*1.6%*

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Strategic report (continued)

DIVISIONAL REPORTING (CONTINUED)

Allvotec (continued)

2020 (£m)	Voice	Connectivity	Mobility	IT services	Cloud	Total
Revenue	-	0.1	-	78.7	8.5	87.3
Gross profit	-	0.1	-	70.5	6.4	77.0
Gross margin	-	*100.0%*	-	*89.6%*	*75.3%*	*88.2%*
Adjusted EBITDA						8.0
Adjusted EBITDA %						*9.2%*

KEY PERFORMANCE INDICATORS (KPIs)

KPIs, which are set at Group level, have been devised to allow the board and shareholders to monitor the performance of the Group, as well as the operating divisions within the Group.

The Group has financial KPIs that it monitors on a regular basis at board level and where relevant at divisional management meetings as follows:

Group	**2021 £m**	2020 £m
Revenue	**417.1**	458.0
Gross profit	**224.4**	250.9
Gross margin %	**53.4%**	54.8%
Adjusted EBITDA	**73.0**	76.4
Adjusted EBITDA %	**17.4%**	16.7%
Operating free cash flow	**60.9**	62.2
Net senior debt	**388.4**	819.3

Adjusted EBITDA fell £3.4 million from the prior year largely due to the impact of Covid-19 lockdown restrictions on the Allvotec division. However, the overall strong cost and cash management has driven an increase in the Adjusted EBITDA margin in the year and reduced the relative impact on the Operating free cash flow. Net senior debt reduced to £388.4 million following the repayment made as part of the DWS divisional disposal.

The Group has non-financial KPIs that it monitors on a regular basis at board level and, where relevant, at divisional management meetings, which are principally as follows:

	Average customer numbers		**Average revenue per customer**	
	2021 No.	2020 No.	**2021 £'000**	2020 £'000
SMB	**85,358**	84,689	**2**	2
Corporate	**4,049**	4,017	**50**	56
Allvotec	**180**	120	**489**	729

OUTLOOK AND OPPORTUNITIES FOR FURTHER GROWTH

The market in which Daisy operates continues to provide strong opportunities for growth and delivery of shareholder value. The Group's strategy is to continue to meet those objectives through a combination of both organic and inorganic growth.

The Group has a highly skilled and experienced executive team capable of building on the Group's position as the main consolidator and the leading independent provider of IT services and unified communications to the SME and mid-market business segment.

The Group will continue to evaluate and execute acquisitions that help build strategic advantage and value for the Group's shareholders and will continue to develop processes and systems further to support its growth strategy.

Strategic report (continued)

FUNDING

On 26 August 2020, the Group drew down an incremental facility of £22.3 million to fund the acquisition of Union Street Technologies Limited.

On 18 November 2020, the Group drew down additional PIK debt of £73.5 million to fund the acquisition of Project Seattle Topco Limited and its subsidiary undertakings.

On 31 March 2021 and following the DWS divisional disposal, the Group made debt repayments of £696.7 million on its senior debt, super-senior debt, revolving credit facility and PIK debt (including accrued interest). Following these repayments, PIK debt at 31 March 2021 was £145.9 million (2020: £307.0 million) and net senior debt was £388.4 million (2020: £819.3 million), comprised as follows:

	31 March 2021	31 March 2020
	£m	£m
Senior debt	**330.0**	649.7
Super-senior debt	**86.0**	113.8
Revolving credit facility	**-**	54.7
Leases and similar items	**36.5**	45.1
Gross senior debt	**452.5**	863.3
Cash	**(64.1)**	(44.0)
Net senior debt	**388.4**	819.3

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is affected by a number of risks and uncertainties, not all of which are wholly within its control. Although many of the risks and uncertainties are macro-economic, and likely to affect the performance of businesses generally, others are specific to the Group's operations.

This section is intended to highlight the principal risks and uncertainties affecting the Group's business. Some risks may be unknown to the Group and others, currently regarded as immaterial, could turn out to be material and therefore this section may not provide an exhaustive and comprehensive analysis of all risks and uncertainties affecting the Group or which may have the potential to adversely impact the Group's business.

The Group has a risk management process for identifying, evaluating and managing significant risks. The Group risk register captures the most significant risks facing the business. Each risk is assigned to a senior management owner responsible for monitoring and evaluating the risk and the appropriate mitigation strategies.

The key operational risk to the Group is deterioration of the global and UK economy. The level of business activity could be impacted by continued economic uncertainty and could lead to a reduction in revenue, profitability and cash generation. Should markets weaken, it may become difficult for the Group's operational businesses to maintain volumes and pass on price increases to customers. Cash collection could prove more difficult and bad debts may arise as customers suffer from the economic environment. The impact of the Covid-19 global pandemic has proved testing for most businesses in this regard. While the Group has been relatively sheltered from the worst of these effects by virtue of the majority of its revenues being recurring in nature, close consideration continues to be paid to the ability of its customers to withstand these headwinds.

Strategic report (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

The following risks may also impact the performance of the Group:

- **Integration**
  The significant growth of the Group over the last few years has been driven by acquisition and the Group's strategy includes the acquisition of further businesses that will enhance earnings. Management recognises that there is a risk of operational disturbance in the course of integrating acquired businesses into the Group's existing operations. This risk is mitigated by detailed planning and due diligence by the Group's senior management team and their oversight and execution of the integration of acquired businesses, in each case to safeguard future financial performance and achieve planned synergies.

  Alongside the overall integration risk there is a specific risk in relation to the integration of systems across the business. As the Group continues to evolve and become more streamlined, there is a potential risk that older systems become sub-optimal which, in turn, increases the risk of system failure. This risk is mitigated by having a dedicated IT specialist team, focused on harmonising the systems and rolling out IT security improvement plans.

- **Increased competition**
  The already competitive telecommunications and IT market could become even more competitive and the Group could suffer increased competition from large national competitors or indeed smaller organisations operating at a local level. The Group mitigates this risk by focusing on providing the highest possible level of customer service while offering customers a broad range of competitively-priced products. Furthermore, the Group closely monitors the activity of competitors and the wider market to ensure that it is positioned appropriately with its product and service portfolio.

- **Contracts with suppliers**
  The Group resells the products of its suppliers, and while it has the freedom to substitute certain of these products, management acknowledges that the Group has a reliance on contracts with its suppliers such as BT, Vodafone, O2, TalkTalk Business, Virgin Media, EE and Verizon. The Group closely manages relationships with its main suppliers and seeks to mitigate the risk created by this reliance by building strong relationships with such suppliers throughout the business in order to understand and respond to their expectations.

- **Technological change**
  The market for the Group's services is characterised by technological developments and changes, frequent introductions of new products and services and evolving industry standards. There is a risk that the Group may fail to secure the necessary contracts to supply its customers with the latest technology. The Group mitigates this risk by maintaining close relationships with a number of alternative suppliers, which it believes will keep it at the forefront of product development on a sustained basis, and regularly monitors trends in technological advancement so as to anticipate and plan for future changes.

- **Key resources**
  Consistent with groups of a similar size, the Group is managed by certain key personnel, including executive directors and senior management who have significant experience within the Group and the wider IT communications sectors and who may be difficult to replace. Furthermore, the Group depends on being able to recruit and retain sales and marketing employees of an appropriate calibre to win and service significant contracts. The Group has sought to mitigate this resource risk by investing in staff training programmes, competitive reward and compensation packages, management incentive schemes and succession planning.

- **Regulatory change**
  The Group recognises that the pricing of products and services and the activities of major industry organisations, such as BT, may be affected by the actions of regulatory bodies in the UK. Such actions could affect the Group's profitability either directly or indirectly. The Group mitigates this risk by constantly monitoring and assessing the likelihood and potential impact of regulatory change.

Strategic report (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

- **Data protection and back-up**
  The Group holds a significant volume of confidential data. Failure to comply with data privacy regulations and standards or weakness in internet security may result in a major data privacy breach causing reputational damage to the Group's brands and financial loss. Breach of IT security may cause data to be lost, corrupted or accessed by unauthorised users, impacting the Group's reputation. This could give rise to legal or regulatory penalties as well as commercial costs. The Group has ISO 27001 accreditation across its key operational sites and is subject to regular and frequent audits of its ISO 27001 related procedures by external third parties. The Group has processes and procedures in place to monitor effectiveness of customer back-up and is continually upgrading security equipment and software and making improvements to physical security processes. Penetration testing is performed on a regular basis to test the security of the sites and data. Thorough investigations are carried out of any incidents arising and corrective action is taken.

- **Pension obligations**
  The Group's defined benefit pension funds are exposed to the risk of changes in interest rates and the market values of investments, as well as inflation and the increasing longevity of scheme members. These changes may result in higher cash contributions to cover funding shortfalls. These risks are mitigated by paying contributions into the funds and through balanced investment strategies, designed to avoid a material worsening of the current surplus or deficit in each fund. The Group has closed its largest defined benefit pension schemes to new members and to future accrual. Assumptions to calculate the funding position of the pension funds are set using the recommendations of actuaries. The board discusses pension fund strategy as part of the three-year pension valuation cycle.

SECTION 172 STATEMENT

Under section 172 of the Companies Act 2006, the directors have a duty to promote the success of the Company and wider Group for the benefit of the members as a whole. This includes having due regard to the broad range of stakeholders of the Group, such as its workforce, customers, suppliers, lenders, shareholders, pension schemes and its impact on the wider community and environment.

The Group's ongoing engagement with these stakeholders includes the sharing of monthly financial information and quarterly covenant compliance certificates with its lenders and key shareholders, together with representatives of the Group attending Trustee meetings for the ICM Computer Group Pension and Assurance Scheme and engaging in regular dialogue with the Trustee of the other principal defined benefit pension scheme in which the Group participates, the Federated Pension Plan.

Customer feedback is sought on a regular basis, whether on a transactional basis as part of the customer experience follow up after each interaction or through regular scheduled service review meetings over the course of the year. This feedback is intended to examine performance and potential enhancements, to understand the go-to-market strategy of the customers and to progress business opportunities. Similarly, quarterly review meetings are held with many of the main suppliers to the divisions, using tools such as the balanced scorecard to identify any potential expectation gaps in services provided. Where areas of concern are identified a Service Improvement Plan is often put in place to return to appropriate service levels. The divisions also often seek 360 degree feedback from their suppliers to identify whether there are any actions they could take as the customer that may also affect supplier performance.

Engagement with the wider community is led at a local level by the divisions, which offer a number of different programmes to local schools such as mentorships, student placements, internships and well-established apprenticeship programmes. Employees volunteer their time to a number of local initiatives and charities, including talks at schools and colleges to raise awareness of the imbalanced gender representation in the technology industry and fundraising for the Prince's Trust and other employee-selected charities. During the year the Corporate division undertook a project with the charity support organisation Enthuse to support local schools in encouraging children in the technology, maths and science sectors through ambassadors visiting primary and secondary schools virtually to help promote technology and encourage more talent into the sector. In the Allvotec division, both the Chief Executive Officer and Chief Procurement Officer supported ATOS and their partner ANTZ (a leader in social innovation) in the year to deliver social value, mentoring and support to participants to find jobs, gain further education and commit to meaningful roles in society.

Strategic report (continued)

SECTION 172 STATEMENT (CONTINUED)

During the pandemic, engagement with employees was even more important than normal. In order to mitigate uncertainty, a number of communication and support initiatives were put in place across the Group. In the Allvotec division, a Reach Out Forum was established in the year with 23 members representing all parts of the business and a Reach Out magazine was established with business updates, competitions and recognition, while a monthly Open Mic with our Executive Team ensured strong lines of communication throughout the year. A number of Mental Health First Aiders were certified during the year to support individuals and signpost wellbeing strategies for employees via monthly updates. As well as supporting employees who remained working on the front line with frequent Health and Safety updates and PPE, a number of initiatives were put in place to support employees working at home, including 'Remote Buddies', who supported managers with initiatives and practical solutions to keep people connected, together with training sessions, resource packs and support forums for managers managing remote or hybrid teams.

The Group's intranet offers the workforce an opportunity to ask questions and give feedback directly to the Group Chairman. At a divisional level employee surveys are issued at least annually and the results discussed with representative employee engagement groups. Further opportunities for employees to engage with senior management on issues affecting them are given through regular employee forums and employee roadshows led by the Chief Executive Officer, which include Q&A sessions. The Group has also expanded its Daisy University learning management system during the year with employees having access to hundreds of courses and training modules to aid their development.

The key decisions taken by the Group board in the year related to the transactional activity, being the acquisitions of Union Street Technologies Limited, Shaftesbury Systems Limited, Elder Studios Limited and the Giacom Group, followed by the disposal of the DWS division and subsequent repayment of a significant proportion of the Group's debt. At a divisional level the boards adapted to the changing environment during the Covid-19 pandemic, lobbying suppliers for payment deferrals on behalf of their end customers and making operational decisions on how best to support their customers and employees through the periods of lockdown. These decisions were taken to provide as much stability as possible for the Group to build a platform for long-term growth and success.

This report was approved by order of the board on 8 October 2021 and signed on its behalf by:

Neil Thompson
Chief Financial Officer

Directors' report

The directors present their report and the Group's audited financial statements for the year ended 31 March 2021.

The directors have opted to disclose opportunities for further growth in the strategic report.

GOING CONCERN

On 26 August 2020, the Group drew down an incremental facility of £22.3 million to fund the acquisition of Union Street Technologies Limited.

On 18 November 2020, the Group drew down additional PIK debt of £73.5 million to fund the acquisition of the Giacom group.

On 31 March 2021 and following the DWS divisional disposal, the Group made debt repayments of £696.7 million on its senior debt, super-senior debt, revolving credit facility and PIK debt (including accrued interest).

The Group had cash balances at the year-end of £64.1 million (2020: £44.0 million). Net senior debt at the year end was £388.4 million (2020: £819.3 million) with an unutilised revolving credit facility of £55.0 million at 31 March 2021 (2020: £nil), which was reduced to £40.0 million subsequent to the year end to reflect the smaller size of the Group following the divisional disposal at the year end. The current senior borrowing facilities include non-amortising senior, incremental and super-senior debt facilities. The senior and incremental debt facilities are provided by Ares, who are also a shareholder and the provider of the Payment in Kind facility, and are repayable in full on 31 January 2026. The super-senior debt is repayable in full on 31 July 2025 and the revolving credit facility is repayable in full on 31 July 2025. Both of these facilities are provided by a consortium of banks. In addition, the Group has a Payment in Kind ("PIK") facility of £145.9 million (2020: £307.0 million) before accrued interest which terminates on 31 January 2027.

More details of these facilities can be found in note 26 to the financial statements.

The Group has one covenant, being Adjusted leverage (the ratio of an Adjusted EBITDA-based metric to net debt), on its senior and super-senior debt facilities. The covenant is measured quarterly on a lagging 12 month basis, with the target ratio reducing over time. The target ratio is set at a lower level for the senior than it is for the super-senior debt facilities. The directors have reviewed and are comfortable with the level of headroom on the covenant in the debt facilities.

The directors have reviewed the Group's net liabilities position and Company's net asset position, their cash balances, borrowing facilities, projected cash flows and incorporating a severe but plausible downside sensitivity analysis. The group's non-recurring project revenue was most impacted by the pandemic and the base case assumes a recovery in such activity throughout FY22. The group's recurring revenue streams, which have been largely unaffected by the pandemic, are expected to continue growing at pre-pandemic rates in FY22. The downside case assumes no growth from the Group's current run-rate with no mitigating actions taken.

Having undertaken this review, the directors believe that the Group and the Company have adequate resources to continue operations for the foreseeable future, including at a minimum the next 12 months from the date of approval of this report. For this reason, they continue to adopt the going concem basis in preparing the financial statements.

FINANCIAL RESULTS AND DIVIDENDS

The results of the Group for the year are shown in the consolidated income statement and statement of comprehensive income on page 23. An interim dividend of £304.0 million (£1.02 per ordinary share) was declared during the year (2020: £nil) and settled by the extinguishment of a receivable of the same value with the same counterparty. The directors do not recommend payment of a final dividend for the financial year (2020: £nil).

OVERSEAS BRANCHES

The Group has a subsidiary, ISG Technology EOOD, which is registered in Bulgaria.

Directors' report (continued)

POST BALANCE SHEET EVENTS

On 13 August 2021, Daisy Communications Holdings Limited (one of the Group's subsidiary companies) acquired the entire share capital of Premier Choice Telecom Limited and Premier Choice Rentals Limited for a combined cash consideration of £10.5 million.

DIRECTORS

The directors who held office during the year and up to the point of signing these financial statements were as follows:

Matthew Riley (resigned 8 February 2021)
Steve Smith
David McGlennon
Michael Dennis (resigned 8 February 2021)
William Grout (resigned 8 February 2021)
Neil Thompson (appointed 7 July 2021)

Following the acquisition of Daisy Group Holdings Limited by Daisy Holdco Limited on 8 February 2021 as noted above, the six directors listed above were appointed as directors of the new parent company of the Group.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

The Group has indemnity insurance in place on behalf of its directors during the year which remains in force at the date of this report. The articles of association of the Company and certain other associated Group companies also contain indemnification provisions in favour of Group directors to the extent permitted by law. In addition, Daisy Holdings Limited, an associated company, has previously made qualifying third-party indemnity provisions for the benefit of certain directors of the Company which remained in place throughout the year and continue to be in force at the date of this report.

EMPLOYEES

The Group has an equal opportunities policy which ensures that people are provided with the same opportunities for employment, career development, training and promotion regardless of disability, race, gender, religion/beliefs or age. The directors are committed to maintaining and developing communication and consultation processes with employees, who in turn are encouraged to develop an awareness of the issues affecting the Group. The Group aims to be recognised as an employer of choice and seek to maintain strong employee relations in all areas in which we operate. The directors place considerable emphasis on employees sharing in the success of the Group.

The Group is committed to open and regular communications to employees about business developments and issues of general interest and concern to them, both on a formal and informal basis. Furthermore, the Company participates in the Group's policies and practices to keep employees informed on matters relevant to them as employees. Where employees have become disabled in the service of the Group, every effort is made to rehabilitate them in their former occupation or in some suitable alternative.

ENGAGEMENT WITH EMPLOYEES AND OTHER BUSINESS RELATIONSHIPS

Details of the Group's engagement with its employees, customers and suppliers are given in the Section 172 statement in the strategic report.

MODERN SLAVERY ACT POLICY

Daisy has a zero tolerance approach to slavery and human trafficking. To ensure all those in Daisy's supply chain comply with our values, we have in place a supply chain compliance programme under the supervision of our dedicated in-house Compliance team, consisting of a Head of Compliance, a Regulatory Auditor and a Compliance Analyst.

Directors' report (continued)

ENERGY AND CARBON REPORTING

The Group's environmental mission statement and strategy is summarised below:

Purpose	Carbon	Waste
Mitigate operational impacts on the environment during the course of our normal business activities.	The Group operates a large property estate and vehicle fleet. The Group aims to mitigate the impact of its operations on climate change. The Group also endeavours to mitigate the impact of increasing energy prices and carbon taxes on its operations. Whenever practicable new plant and vehicles are selected to maximise energy efficiency.	Significant volumes of products pass through the Group's businesses each year, generating operational, product and packaging waste. The Group aims to minimise the waste created by its operations with a particular focus on reducing waste plastics and packaging.

Carbon data

	Carbon Dioxide Equivalent (CO_2e) Tonnes		Kilowatt hours (kWh)	
	2021	2020	**2021**	2020
Scope 1 Direct emissions from burning gas and solid fuel for heating and from road fuel used in connection with business activities of the Group	**2,274**	5,804	**10,424,541**	23,973,059
Scope 2 Indirect emissions from use of electricity	**9,730**	12,397	**41,735,084**	48,501,790
Intensity Tonnes of CO_2 from scope 1 and 2 sources per £m of turnover	**19**	27		

Scope 1 and 2 emissions are calculated using the UK Government Conversion Factors for Company Reporting 2019 on an operational control basis. Fugitive emissions from domestic refrigeration, vehicles and building air conditioning are not included as they are not material to the Group's overall emissions. Scope 1 and 2 data are from measured sources with the remainder extrapolated from either expenditure on fuel or (for vehicles) distance travelled.

The Covid-19 pandemic resulted in long periods of office closures and travel restrictions during the year, which significantly reduced the Group's carbon usage compared to its normal level of operations. This also delayed the progress of the Group's ongoing energy efficiency programme. As these restrictions eased during FY22 the Group's carbon usage is expected to rise closer to its pre-pandemic base, although the Group remains committed to reducing carbon emissions from this base level and has restarted its ongoing energy efficiency program with a transition towards an electric and hybrid fleet and the appointment of a Head of ESG in the Corporate division.

FY22 objectives

- Continue progress towards the Group target to reduce scope 1 and scope 2 carbon emissions from its pre-pandemic base.
- Continue to invest in internal projects to promote energy efficiency and support scope 1 and 2 carbon reductions.

Directors' report (continued)

CHARITABLE AND POLITICAL DONATIONS

The Group made charitable donations in the year of £26,000 (2020: £25,000) to the Prince's Trust. No political donations were made during the year (2020: £nil).

RISK

Senior management staff are aware of their responsibility for managing risks within each division. Group risk is reviewed at board level to ensure that risk management is being implemented and monitored effectively. See note 20 for further details of financial risks.

The board's policy is to ensure that the divisions are operated effectively and appropriately, bearing in mind prevailing market conditions, the requirements for timely decision making and commercial reality. Insurance policies are regularly reviewed to ensure that they are adequate and appropriate, in line with the nature, size and complexity of the business. Standard form contracts are provided for commercial use and to assist the varying segments of the business and their commercial function to negotiate within approved parameters.

DIRECTORS' STATEMENT ON INFORMATION GIVEN TO THE COMPANY'S AUDITORS

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director to make himself 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.

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP were re-appointed as the Company's auditors on 12 March 2021. A resolution to re-appoint PricewaterhouseCoopers LLP as the Company's auditors will be proposed at the next directors' meeting.

CORPORATE GOVERNANCE

The Group has described below the areas it considers to be the key aspects of its corporate governance arrangements.

Our key values and behaviours
Daisy Group is a group of end-to-end business technology and communications service provider businesses with a common strategy of organic growth and growth via acquisitions (such as the acquisitions of the Giacom Group, Union Street Technologies Limited, Shaftesbury Systems Limited and Elder Studios Limited in the year) in order to maximise shareholder value (such as with the disposal of the DWS division in the year).

The Group delivers a broad range of products and services provided through its three remaining independent business divisions: SMB, Corporate and Allvotec. See the 'divisional reporting' section above for a brief description of each of these divisions.

The Group's key values and behaviours are to be: *Driven* – focusing our energy and passion on serving our customers and our partners; *Accountable* – taking responsibility for our actions; *Innovative* – finding ways to deliver more for our customers, partners and employees; *Successful* – delivering results as a team; and *Yours* – treating everyone with respect and taking care of our people.

These strategies and values are developed and promoted by the boards of each division (the "Divisional boards"), which have delegated responsibility for all aspects of that business's operations, as further described below.

Directors' report (continued)

CORPORATE GOVERNANCE (CONTINUED)

Those charged with governance
During the year the Group board consisted of two executive directors, two non-executive directors and a Chairman, all of whom attended all Group board meetings during the year. As set out on page 12, certain of these directors resigned as directors of Daisy Group Holdings Limited on 8 February 2021, at which point all of these directors were appointed as directors of the new ultimate parent undertaking, Daisy Holdco Limited, thereby continuing to form the Daisy Group board. Subsequent to the year end, Steve Smith reprised his previous role as Corporate Development Director of the Group and Neil Thompson joined the board as the new Chief Financial Officer. The backgrounds and experience of these directors, which are considered to complement the strategy of the Group, are summarised below:

Matthew Riley, Founder and Chairman – Matthew established Daisy Communications Ltd., one of the largest companies in the now Daisy Group, in 2001, leading that company and the fledgling Group through rapid growth to become one of the UK's leading end-to-end business technology and communications service providers. He is an award-winning entrepreneur, winning the Bank of Scotland Entrepreneur Challenge and Ernst & Young's UK Young Entrepreneur of the Year in 2007 and the City Awards Dealmaker of the Year in 2012. He received the Comms Industry Awards Lifetime Achievement Award in 2017 and the ICT Forum Outstanding Achievement Award in 2019.

Steve Smith, Chief Financial Officer to 7 July 2021, then Corporate Development Director – Steve is a graduate of Liverpool University and qualified as a Chartered Accountant in 1989. Following 24 years in professional services, the last 11 as a partner with EY, Steve joined Daisy Group in 2009 as Corporate Development Director and joined the board in 2011 as Group Chief Financial Officer before reprising his role as Corporate Development Director in July 2021.

David McGlennon, General Counsel and Company Secretary – David is a qualified solicitor who spent 11 years in private practice at Clifford Chance LLP and then Eversheds LLP, where he focused on corporate finance, mergers and acquisitions. David joined Daisy Group in 2009 as General Counsel and Company Secretary, becoming a director in 2019. He holds an MA in Law from the University of Cambridge.

Michael Dennis, Non-Executive Director – Michael is a Partner and Co-Head of European Credit in the Ares Credit Group. Prior to joining Ares in 2007, Michael was Head of the London Financial Sponsor Group at Barclays Bank, where he focused on middle-market financing opportunities. He holds a BSc from the University of Nottingham and University of Manchester Institute of Science and Technology and an MBA with high honours from the University of Chicago Booth School of Business.

William Grout, Non-Executive Director – William is a Principal in the Ares Credit Group. Prior to joining Ares in 2011, William was a Manager in the Debt Advisory Group at PricewaterhouseCoopers LLP, where he focused on advising companies and their sponsors on acquisition finance, refinancings and restructuring situations. He holds an MA in Economics from the University of Cambridge and is a Chartered Accountant.

Neil Thompson, Chief Financial Officer from 7 July 2021 – Before joining Daisy, Neil was Group Chief Financial Officer of Manchester Airport Group ('MAG'), which owns a number of major UK airports together with other international services and property businesses. Prior to MAG he had global roles in international listed businesses MAN Group and ALSTOM. Neil is a qualified Chartered Accountant and a Chartered Tax Advisor and spent 7 years in financial practice specialising in Corporate Finance, latterly with PwC. He has a BSc in Economics from the London School of Economics.

The Divisional boards comprise, as a minimum, the Chief Executive Officer and Chief Financial Officer of the relevant business, all of whom have held senior roles within the Daisy Group for a significant length of time.

Responsibilities of Group and Divisional boards
The responsibilities of the Group and Divisional Boards and individual directors are set out in the Group's internal Corporate Governance Structure paper which is reviewed each year.

The Group board sets the strategic direction of the Group as a whole, meeting monthly to review the overall management and performance of the Group and its business divisions. The Group board is aided in its supervisory responsibilities by its Audit and Remuneration Committees, comprising the statutory directors of the Company. The Audit Committee is responsible for oversight of the integrity of the Group's Annual Report and Financial Statements, internal and external audit activities, and the Group's system of risk management and internal controls. The Remuneration Committee has oversight of the Group's senior management remuneration policy.

Directors' report (continued)

CORPORATE GOVERNANCE (CONTINUED)

Responsibilities of Group and Divisional boards (continued)
The Group board delegates the overall management and performance of the Group to the Chairman's office, subject to certain specified reserved matters requiring the approval of the full Group board, including, among others, any changes to the share capital or articles of association of any group company, any capital distributions, any significant acquisitions, disposals or capital expenditure, any non-arm's length related party transactions and any changes to Group or divisional directors.

The Chairman's office (comprising the Chairman, Chief Financial Officer and Company Secretary) is a supervisory body, the responsibilities of which include the support and assistance of the business divisions, together with overseeing their performance and the terms of their intra-group trading. It agrees the annual budget and business plans with each Divisional board, while ensuring there is sufficient financing available for each division to carry out its respective business plan. It ensures the Group's board's strategic intent is achieved, manages investor and funder relations on behalf of the division, together with overseeing and managing the corporate and M&A activity on behalf of the Group and the divisions and managing the Group's corporate structure.

The Divisional boards are responsible for the day-to-day management and performance of their respective divisions, including the operating and trading performance, together with all HR, health & safety, facilities management, statutory and regulatory compliance, and risk management activities. They are also responsible for promoting the best interests of their division and ensuring that its business is conducted in accordance with the agreed business plan and good business practice. These responsibilities are also subject to certain defined reserved matters, which require the approval of the Chairman's office, principally relating to bonus schemes, acquisitions, disposals, borrowing and capital expenditure, engagement with new suppliers, and any activities to the detriment of the wider Group.

The Divisional boards are required to meet members of the Chairman's office on a monthly basis, submitting a divisional board pack in advance, which includes financial results and a performance review using agreed KPIs, together with updates on sales, marketing, customer service, HR, health & safety, and risk & regulatory compliance.

Senior management remuneration is reviewed and subject to the approval of the Remuneration Committee with pay awards linked to market rates and the Group's performance against its wider strategy. Remuneration of the divisional workforce is set as part of the divisional budget process and subject to the budget approval process set out above. Commission programmes, bonuses and ad hoc pay increases require the prior approval of the Chairman's office.

Gender pay reporting is analysed and reported on by the divisional HR teams. The Daisy Group is committed to equal pay for equal work for all of its employees.

Risk and compliance
The Divisional boards are responsible for the identification of potential future opportunities for their respective divisions, subject to the permissions and oversight outlined above from the Chairman's office and Group board, where applicable. Each division has its own compliance officer, who is responsible for reporting into their respective Divisional board on the division's compliance with its regulatory requirements. While most regulatory requirements are managed at a divisional level, certain of them, for example Ofcom submissions, are managed by one division on behalf of the Group. Risk registers are created by the divisions, then reviewed and combined into a Group risk register, ensuring appropriate consistency has been maintained across the divisional registers.

The Group prepares and maintains the Group accounting policies and the Group's financial policies and procedures, which are adopted by the divisions. The Audit Committee, comprising the Chairman, Chief Financial Officer and one Non-Executive Director, oversees the Group's identification of and response to risk. The Group's internal auditors, Grant Thornton UK LLP, completed a review of the divisional key financial controls during the year, reporting directly to the Audit Committee. Internal and external whistleblowing procedures are widely publicised on the Group's intranet, together with all of the Group's risk policies with relevant employees required to complete training on these policies relevant to their roles and responsibilities. Further detail on the specific risks and opportunities of the Group is given in the Strategic Report.

This report was approved by the board on 8 October 2021 and signed on its behalf by:

Neil Thompson
Chief Financial Officer

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 regulations.

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 accounting standards in conformity with the requirements of the Companies Act 2006 and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 102 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 Company will continue in business.

The directors are responsible for safeguarding the assets of the Group and 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's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

This statement was approved by order of the board on 8 October 2021.

Neil Thompson
Chief Financial Officer

Independent auditors' report to the members of Daisy Group Holdings Limited (continued)

Report on the audit of the financial statements

Opinion
In our opinion:

- Daisy Group Holdings Limited's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2021 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Company balance sheets as at 31 March 2021; the Consolidated income statement and statement of comprehensive income, the Consolidated cash flow statement, and the Consolidated and Company statements of changes in equity for the year 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.

Conclusions relating to going concern
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 Group's and 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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

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

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.

Independent auditors' report to the members of Daisy Group Holdings Limited (continued)

Reporting on other information (continued)
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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 year ended 31 March 2021 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 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 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 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.

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.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation, health and safety regulations, employment legislation and telecommunications industry specific legislation and regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inappropriate journal entries to increase revenue or Adjusted EBITDA, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- obtaining an understanding of the legal and regulatory framework applicable to the Group and how the Group is complying with that framework
- discussions with management and General Counsel, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud
- reviewing minutes of meetings of those charged with governance, where available
- reading any key correspondence with regulatory authorities that has taken place in the year
- reviewing internal audit reports
- incorporating an element of unpredictability into our audit procedures
- identifying and testing journal entries, including those with unusual account combinations relating to the principal fraud risks set out above
- challenging assumptions and judgements made by management in their significant accounting estimates

Independent auditors' report to the members of Daisy Group Holdings Limited (continued)

Responsibilities for the financial statements and the audit (continued)

Auditors' responsibilities for the audit of the financial statements (continued)
There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery intentional misrepresentations, or through collusion.

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.

Use of this report
This report, including the opinions, has been prepared for and only for the 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 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 Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Michael Timar (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
8 October 2021

Financial information

Financial information (continued)

Consolidated income statement and statement of comprehensive income

	Note	Year ended 31 March 2021 £'000	Restated* Year ended 31 March 2020 £'000
Revenue	4	**417,054**	457,983
Cost of sales		**(192,678)**	(207,060)
Gross profit	4	**224,376**	250,923
Operating costs		**(317,638)**	(272,246)
Operating loss	6	**(93,262)**	(21,323)
Adjusted EBITDA	4	**72,994**	76,444
Amortisation of intangible assets	6,16	**(39,394)**	(46,985)
Depreciation	6,17	**(21,837)**	(27,550)
Exceptional operating costs – costs directly relating to Acquisitions	7	**(30)**	(539)
Net exceptional operating costs – other	7	**(104,995)**	(22,693)
Operating loss		**(93,262)**	(21,323)
Finance income	11	**986**	1,250
Finance costs	11	**(124,128)**	(110,443)
Net finance expense		**(123,142)**	(109,193)
Share of profit from joint venture	12	**24**	32
Loss before tax		**(216,380)**	(130,484)
Income tax (charge)/credit	13	**(2,780)**	10,122
Loss from continuing operations		**(219,160)**	(120,362)
Profit from discontinued operations	14	**612,823**	35,772
Profit/(loss) attributable to the owners of the parent		**393,663**	(84,590)
Other comprehensive (expense)/income			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/gain on defined benefit pensions	9	**(4,492)**	2,371
Income tax relating to items that will not be reclassified subsequently to profit or loss		**925**	(392)
Exchange differences on translation of foreign operations		**55**	-
		(3,512)	1,979
Other comprehensive (expense)/income		**(3,512)**	1,979
Total comprehensive income/(expense)		**390,151**	(82,611)

** The prior year comparatives have been restated to present the results of the DWS division as discontinued following the demerger and sale of this division in the current year.*

The notes on pages 28 to 83 are an integral part of these consolidated financial statements. All activities in the current year are derived from continuing operations.

Consolidated balance sheet

	Note	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Assets			
Non-current assets			
Goodwill	15	**376,945**	760,038
Other intangible assets	16	**35,080**	78,917
Property, plant and equipment	17	**55,678**	65,589
Retirement benefit asset	9	**9,288**	13,252
Investment in joint venture	18	**184**	160
Deferred tax assets	19	**8,223**	13,532
		485,398	931,488
Current assets			
Inventories	21	**4,060**	8,937
Trade and other receivables – due in < 1 year	22	**100,564**	147,858
Trade and other receivables – due in > 1 year	22	**5,485**	8,888
Corporation tax asset		**164**	434
Cash and cash equivalents	23	**64,129**	44,036
		174,402	210,153
Liabilities			
Current liabilities			
Trade and other payables	24	**(174,473)**	(182,274)
Borrowings	26	**(11,712)**	(12,534)
Provisions	27	**(2,630)**	(3,571)
		(188,815)	(198,379)
Net current (liabilities)/assets		**(14,413)**	11,774
Non-current liabilities			
Borrowings	26	**(625,010)**	(1,173,868)
Provisions	27	**(12,020)**	(10,108)
Deferred tax liabilities	19	**(5,791)**	(12,058)
Retirement benefit liability	9	**(190)**	-
Derivative financial instruments	20	**(4,047)**	(4,648)
Other non-current liabilities	28	**(730)**	(5,533)
		(647,788)	(1,206,215)
Net liabilities		**(176,803)**	(262,953)
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	29	**39**	39
Share premium	29	**164,239**	164,239
Capital redemption reserve		**34**	34
Foreign currency translation reserve		**55**	-
Pension reserve		**(1,661)**	1,906
Retained loss		**(339,509)**	(429,171)
Total equity		**(176,803)**	(262,953)

The notes on pages 28 to 83 are an integral part of these consolidated financial statements. The consolidated financial statements on pages 23 to 83 were approved by the directors and authorised for issue on 8 October 2021 and signed on their behalf by:

Neil

Neil Thompson
Chief Financial Officer
Company registration number: 09162741

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Foreign currency translation reserve £'000	Pension reserve £'000	Retained loss £'000	Total equity £'000
	Note 29	Note 29					
At 1 April 2020	39	164,239	34	-	1,906	(429,171)	**(262,953)**
Profit for the year	-	-	-	-	-	393,663	**393,663**
Other comprehensive income/(expense):							
Actuarial loss on defined benefit pension schemes	-	-	-	-	(4,492)	-	**(4,492)**
Income tax relating to items that will not be reclassified subsequently to profit or loss	-	-	-	-	925	-	**925**
Exchange differences on translation of foreign operations	-	-	-	55	-	-	**55**
Total comprehensive (expense)/income for the year	-	-	-	55	(3,567)	393,663	**390,151**
Transactions with owners in their capacity as owners:							
Dividends	-	-	-	-	-	(304,001)	**(304,001)**
At 31 March 2021	**39**	**164,239**	**34**	**55**	**(1,661)**	**(339,509)**	**(176,803)**

The notes on pages 28 to 83 are an integral part of these consolidated financial statements.

The capital redemption reserve relates to shares repurchased by the Group.

The pension reserve represents the cumulative actuarial losses on defined benefit pension schemes.

Consolidated statement of changes in equity (continued)

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Foreign currency translation reserve £'000	Pension reserve £'000	Retained loss £'000	Total equity £'000
	Note 29	**Note 29**					
At 1 April 2019	39	164,239	34	-	(73)	(324,581)	**(160,342)**
Loss for the year	-	-	-	-	-	(84,590)	**(84,590)**
Other comprehensive income/(expense):							
Actuarial gain on defined benefit pension schemes	-	-	-	-	2,371	-	**2,371**
Income tax relating to items that will not be reclassified subsequently to profit or loss	-	-	-	-	(392)	-	**(392)**
Total comprehensive (expense)/income for the year	-	-	-	-	1,979	(84,590)	**(82,611)**
Transactions with owners in their capacity as owners:							
Share redemptions and cancellations	-	-	-	-	-	(20,000)	**(20,000)**
At 31 March 2020	**39**	**164,239**	**34**	**-**	**1,906**	**(429,171)**	**(262,953)**

Consolidated cash flow statement

	Note	Year ended 31 March 2021 £'000	Restated* Year ended 31 March 2020 £'000
Cash generated from operations	31	**79,312**	51,632
Net income taxes paid		**(5,315)**	(539)
Net cash generated from operating activities		**73,997**	51,093
Net cash generated from operating activities from discontinued operations		**59,878**	45,946
Cash flows from investing activities			
Business combinations, net of cash acquired	5	**-**	(22,584)
Payment to acquire intangible assets	16	**(6,909)**	(8,356)
Purchase of property, plant and equipment	17	**(5,164)**	(5,931)
Interest received		**81**	989
Net cash used in investing activities		**(11,992)**	(35,882)
Net cash used in investing activities from discontinued operations		**(118,904)**	(11,575)
Cash flows from financing activities			
Proceeds from borrowings		**95,800**	214,251
Capitalised loan arrangement fees		**(780)**	(2,013)
Repayment of borrowings		**(696,674)**	(164,255)
Proceeds from related parties for repayment of borrowings on demerger		**696,674**	-
Interest paid	11	**(57,711)**	(60,858)
Lease payments		**(16,013)**	(19,193)
Interest element of lease repayments		**(2,562)**	(3,630)
Payment to redeem shares		**-**	(20,000)
Net cash generated from/(used in) financing activities		**18,734**	(55,698)
Net cash used in financing activities from discontinued operations		**(1,675)**	(757)
Effect of exchange rate changes		**55**	-
Net increase/(decrease) in cash and cash equivalents		**20,093**	(6,873)
Cash and cash equivalents at the start of the year		**44,036**	50,909
Cash and cash equivalents at the end of the year	23	**64,129**	44,036

** The prior year comparatives have been restated to present the cash flows of the DWS division as discontinued following the demerger and sale of this division in the current year.*

The notes on pages 28 to 83 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. GENERAL INFORMATION

Daisy Group Holdings Limited ("the Company") is a holding company. The Company and its subsidiaries (together "the Group") provide telecommunications and IT services to SME and mid-market businesses. The Company is a private company limited by shares, incorporated and domiciled in the UK, and registered in England and Wales. The functional currency of the Group is considered to be pounds sterling because that is the operational currency of the primary economic environment in which the Group operates. The address of its registered office is 20 Lindred House, Lindred Road, Brierfield, Nelson, BB9 5SR.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Going concern

The Group has one covenant, being Adjusted leverage (the ratio of an Adjusted EBITDA-based metric to net debt), on its senior and super-senior debt facilities. The covenant is measured quarterly on a lagging 12 month basis, with the target ratio reducing over time. The target ratio is set at a lower level for the senior than it is for the super-senior debt facilities. The directors have reviewed and are comfortable with the level of headroom on the covenant in the debt facilities. After reviewing the Group's net liabilities position and Company's net asset position, their cash balances, borrowing facilities, projected cash flows and incorporating a severe but plausible downside sensitivity analysis, the directors believe that the Group and the Company have adequate resources to continue operations for the foreseeable future.

2.2 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The consolidated financial statements have been prepared on a going concern basis under the historic cost convention, modified to include certain items at fair value, such as financial instruments. In preparing the financial statements, the directors are required to use certain critical accounting estimates and are required to exercise judgement in the application of accounting policies (see note 3 for further details). The principal accounting policies set out below have been consistently applied to all the years presented.

In all cases references to "EBITDA" relate to the operating loss from continuing operations before amortisation, and depreciation. References to "Adjusted EBITDA" also exclude net exceptional operating costs.

In the current year, the Group has applied the following new standards and amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for companies with 31 March 2021 year ends: Amendments to IFRS 3 on definition of a business, Amendments to IAS 1 and IAS 8 on the definition of material, Amendments to IFRS 9, IAS 39 and IFRS 7 on interest rate benchmark reform.

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and (in some cases) have not yet been adopted by the EU:

Amendments to IFRS 16 Leases on Covid-19 related rent concessions
Amendments to IFRS 7, IFRS 4 and IFRS 16 on interest rate benchmark reform – phase 2
Amendments to IAS 1 on presentation of financial statements on classification of liabilities
Narrow-scope amendments to IFRS 3, IAS 16, IAS 17
Annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16
Narrow-scope amendments to IAS 1, Practice statement 2 and IAS 8

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

Notes to the consolidated financial statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of Daisy Group Holdings Limited ("the Company") and enterprises controlled by the Company (its "subsidiaries"). The excess of cost of acquisition over the fair values of the Group's share of identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair value of identifiable net assets acquired ("negative goodwill") is recognised immediately in the income statement.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

Costs directly attributable to the acquisition are recorded in the income statement. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date irrespective of the extent of any non-controlling interest.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies of the subsidiary and, furthermore, subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

All intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Joint ventures

A jointly-controlled entity is an entity in which the Group holds an interest on a long-term basis and which is jointly-controlled by the Group and one or more other venturers under a contractual arrangement.

Joint ventures are accounted for using the equity method in accordance with IFRS 11 'Joint arrangements' and IAS 28 'Investments in associates and joint ventures'. The net investment in the joint venture is a single line in the balance sheet, and the profit or loss appears in a single line in the income statement. Where the joint venture is loss-making, a liability is recognised in the balance sheet within other payables only to the extent of the Group's obligation to pay.

2.4 Foreign currency translation

The presentational currency of the Group is sterling. All Group companies other than one Bulgarian subsidiary in the Allvotec division (which has a functional currency of Bulgarian Lev) have a functional currency of sterling which is consistent with the presentational currency of the Group's financial statements. Transactions in currencies other than sterling are recorded 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 on the balance sheet date. Non-monetary assets and liabilities 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. Gains and losses arising on retranslation are included in the income statement for the year.

The results and financial position of all the entities that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(b) income and expenses for each income statement are translated at average exchange rates; and
(c) all resulting exchange differences are recognised in other comprehensive income.

Notes to the consolidated financial statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Segment reporting

In accordance with IFRS 8, operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group board of directors. During the year the Group's segments comprised SMB, Corporate, Allvotec and Central costs, which are those businesses reported in the Group's management accounts used by the board of directors as the primary means for analysing trading performance.

Segmental revenue represents the total revenue of each business within a reporting segment and includes inter-segment revenue, which is eliminated on consolidation. Segmental profit is the measure used to assess performance internally and is calculated as Adjusted EBITDA.

2.6 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. The Group identifies the separate performance obligations associated with the goods and services provided, then allocates the transaction price accordingly using standalone selling prices for guidance on contracts with multiple performance obligations. Revenue is recognised on each performance obligation when control is deemed to have been transferred. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales between Group companies.

To the extent that invoices are raised to a different pattern than the revenue recognition described below, appropriate adjustments are made through deferred and accrued income to account for revenue when the respective performance obligations have been met.

The Group has applied the following practical expedients under IFRS 15 in accounting for revenue:

- the promised amount of consideration has not been adjusted for the effects of a significant financing component where, at contract inception, it is expected that the period between when the promised good or service is transferred to a customer and when the customer pays for that good or service will be one year or less; and
- the incremental costs of obtaining a contract are recognised as an expense when incurred if the amortisation period of the asset that would otherwise have been recognised is one year or less.

Revenue recognition for each of the Group's main areas of revenue is described below.

Arrangements with multiple deliverables
Where goods and/or services are sold in one bundled transaction, the Group allocates the total arrangement's consideration to the different individual elements based on their relative fair values. Management determines the fair values of individual components based on actual amounts charged by the Group on a stand-alone basis, or alternatively based on comparable pricing arrangements observable in the market. Customers usually pay monthly in equal instalments over the contract term.

Gross or net income presentation
When deciding the most appropriate basis for presenting revenue, both the legal form and substance of the agreement between the Group and its business partners are reviewed to determine each party's respective role in the transaction. The Group is considered to be principal in the arrangement when it provides the goods or services to the end user, has freedom to determine the price charged to the end user and bears inventory and credit risk from the arrangement.

Where the Group's role in a transaction is that of principal, revenue is recognised on a gross basis. This requires revenue to comprise the gross value of the transaction billed to the customer, after trade discounts, with any related expenditure charged as an operating cost.

Notes to the consolidated financial statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Revenue recognition (continued)

Sale of services
Service income is recognised at fair value, evenly over the year to which the service relates. Usage charges are recognised in the period when the service is received by the customer.

The Group provides certain maintenance services. Fees charged to customers for the provision of maintenance and support services are recognised at fair value, on a straight-line basis over the period of the related agreement in line with when control is deemed to pass in relation to the Group's performance obligations. Sale of services are billed and paid for on a monthly basis.

Sale of goods, licences and installation
Revenue from the sale and/or installation of hardware and associated licences is recognised at fair value in the income statement when the control has been transferred in relation to the identified performance obligations, usually on delivery or installation.

External costs associated with the installation are recorded as work-in-progress within stock until the revenue has been recognised.

Revenue in respect of licences is only recognised where there are no on-going obligations. Where on-going obligations exist, revenue is deferred and recognised in line with the on-going obligations as appropriate.

Where hardware and associated licences are leased to customers under a lease arrangement, lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return. Where assets are leased out under an operating lease arrangement, lease income is recognised over the term of the lease on a straight-line basis.

The consideration for sale of goods and/or installation of hardware and associated licences is payable when control has been transferred. The consideration for on-going licences is billed and paid for on a monthly basis.

Commissions
Commissions are received from mobile network operators when the Group connects or retains end users to their network. The commissions are recognised as income by the Group over the term of service required by the commission agreement or when specific performance obligations are met. When the Group assesses that there is an on-going obligation beyond connection, commission is recognised evenly over the term of the obligation.

In some instances commission income is subject to adjustment by the mobile network operator. Where this is the case, the Group assesses the likelihood of adjustment by reference to historical experience and adjusts commission income accordingly.

Intermediaries are given commissions by the Group on provision of new customers and retaining existing customers. Such commissions are recognised as an expense over the year of service required by the commission agreement, except where they meet the criteria for capitalisation as an intangible asset, to the extent that they are supported by expected future cash inflows, in which case they are amortised on a straight-line basis over the shorter of the customer life and the contractual period.

2.7 Exceptional items

Exceptional items are those that, in management's judgement, should be disclosed separately in order to determine the underlying profitability of the business, excluding the impacts of acquisition activity, integration activity and one-off items. Items that are material, either individually or in aggregate and non-operating or non-recurring in nature are presented as exceptional items in the income statement, within the relevant account heading. Items that may give rise to classification as exceptional items include, but are not limited to, significant Group restructuring and rationalisation programmes, asset impairments, profit or loss on disposal of property, plant and equipment, onerous contracts (including subsequent changes to the measurement of those onerous contract provisions), negative goodwill, acquisition-related costs and re-measurement of contingent consideration.

2.8 Finance income and expense

Interest payable on borrowings, the interest expense component of lease payments and interest income is recognised in the income statement using the effective interest rate method.

Notes to the consolidated financial statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Business combinations

Under the requirements of IFRS 3, all business combinations are accounted for using the purchase method ("acquisition accounting"). The cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer. The cost of a business combination is allocated at the acquisition date by recognising the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria, at their fair values at that date. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. An intangible asset, such as customer or supplier relationships, computer software and licences, is recognised if it meets the definition of an intangible asset in IAS 38, 'Intangible Assets' and its fair value can be measured reliably. Any acquisition-related costs directly attributable to the business combination are expensed as incurred. To the extent that consideration is contingent on future performance of assets acquired, this is held as a liability on the balance sheet as contingent consideration. Any adjustments to the above estimates are charged to the income statement unless they fall within the hindsight period, in which case they are taken against goodwill.

2.10 Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities and contingent liabilities of a subsidiary, associate or jointly-controlled entity at the date of acquisition.

Upon the acquisition of subsidiaries, goodwill is separately disclosed. Goodwill on acquisition of associates and jointly controlled entities is included in investment in associates and jointly controlled entities.

At each balance sheet date goodwill is reviewed for impairment using a discounted cash flow method applied to business forecasts. If this review demonstrates that impairment has occurred, this is expensed to the income statement immediately and is not subsequently reversed.

The directors have determined that goodwill cannot be allocated to individual cash-generating units ("CGUs") on a non-arbitrary basis. Goodwill is therefore allocated to groups of CGUs, which align to the operating segments identified in note 4 and are the lowest level that is monitored by management. The allocation is made to those groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

In accordance with IAS 36, goodwill is not amortised, but is reviewed annually for impairment or more frequently if there are indications that it may be impaired.

2.11 Other intangible assets

Intangible assets with finite useful lives are initially measured at either cost or fair value and amortised on a straight-line basis through operating costs in the income statement over their useful economic lives, which are reviewed on an annual basis. The fair value attributable to intangible assets acquired through a business combination is determined by discounting the expected future cash flows to be generated from that asset at the risk adjusted weighted average cost of capital for the Group. The residual values of intangible assets are assumed to be nil.

The estimated useful economic lives of intangible assets are as follows:

Customer lists:	life of the customer relationship of between 2 and 7 years
Computer software:	2 to 3 years
Licences:	2 to 3 years
Intellectual property:	*10 years*

Notes to the consolidated financial statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Other intangible assets (continued)

The following are the main categories of intangible assets:

Customer lists
Customer and supplier portfolios acquired as part of a business combination are initially measured at fair value and amortised on a straight-line basis over their useful economic lives. Assumptions are used in estimating the fair value of acquired intangible assets and include management's estimates of revenue and profits to be generated by the acquired businesses. Separate values are not attributed to internally-generated customer and supplier relationships.

Computer software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software and are amortised over their estimated useful lives.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads. Computer software development costs, including directly-attributable internal costs, such as staff time spent on development activity, are recognised as assets and amortised over their estimated useful lives.

Subscriber acquisition costs
Subscriber acquisition costs (included within customer lists) comprise the direct third-party costs of recruiting and retaining customers, net of incentives from network operators and provision for in-contract churn. These costs are expensed as incurred, unless they meet the criteria for capitalisation as an intangible asset, to the extent that they are supported by expected future cash inflows, in which case they are amortised on a straight-line basis over the shorter of the customer life and the contractual period.

Licences
Licence fees include the cost of acquiring the licence, which are capitalised and amortised on a straight-line basis over the term of the licence.

Intellectual property
Intellectual property includes patents, utility models, trademarks, trade or business names, domain names, websites and contents thereof, copyright, moral rights, rights to prevent passing off or unfair competition, database rights and rights in designs.

2.12 Property, plant and equipment

Property, plant and equipment are included in the balance sheet at historical cost, less accumulated depreciation and any impairment losses. Historical cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Included within the cost for network infrastructure and equipment are direct labour, contractors' charges, materials and directly attributable overheads.

On disposal of property, plant and equipment, the difference between the sale proceeds and the net book value at the date of disposal is recorded in the income statement.

Depreciation is provided on property, plant and equipment on a straight-line basis from the time the asset is available for use, so as to write off the asset's cost over the estimated useful life taking into account any expected residual value. Freehold land is not subject to depreciation.

The lives assigned to principal categories of assets are as follows:

Buildings	50 years
Leasehold improvements:	shorter of unexpired portion of lease or 10 years
Network infrastructure:	2 to 10 years
Computers and office equipment:	3 to 5 years
Motor vehicles:	3 to 5 years

Residual values, remaining useful economic lives and depreciation methods are reviewed annually and adjusted prospectively if appropriate.

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Notes to the consolidated financial statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of non-current assets excluding goodwill

Intangible assets and property, plant and equipment are tested for impairment whenever there is an indication that an asset may be impaired.

An impairment loss is recognised in the income statement if the recoverable amount (being the higher of fair value less costs to sell and value in use) of an asset or cash-generating unit falls below its carrying value in the balance sheet.

Such impairment losses may be reversed in subsequent periods if there is an indication that the impairment loss recognised in prior years may no longer exist or may have decreased.

2.14 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be principally recovered through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2.15 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
    - the Group has the right to operate the asset; or
    - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings and motor vehicles in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, adjusted for changes in estimates of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, and adjusted for certain remeasurements of the lease liability.

Notes to the consolidated financial statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Leases (continued)

Group as a lessee (continued)
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is subsequently measured using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Group as a lessor
When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the group is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemptions described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains a lease and non-lease component, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of other income.

Notes to the consolidated financial statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Inventories

Inventories mainly comprise items of equipment held for sale or rental and consumable items. Equipment held and consumable items are stated at the lower of cost and estimated net realisable value, after provisions for obsolescence. Cost is based on the price of purchase and is calculated on a first-in-first-out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Where the impact is significant, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Onerous lease provisions have been measured at the lower of the cost to fulfil the contract or the cost of terminating the contract.

2.18 Current and deferred income tax

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

The current tax is based on taxable profit for the year. 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 by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount 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 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 which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in jointly controlled entities, 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 is calculated at the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged to other comprehensive income, in which case the deferred tax is also dealt with in equity.

2.19 Employee benefits

Retirement benefit costs

Defined contribution pension schemes
Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Notes to the consolidated financial statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (continued)

Retirement benefit costs (continued)

Defined benefit pension schemes
The Group operates two defined benefit pension schemes: the Federated Pension Plan ("FPP scheme") and the ICM Computer Group Pension & Assurance Scheme ("ICM scheme") for certain of its employees. Since the employees in the FPP scheme transferred to the Group under TUPE (Transfer of Undertakings (Protection of Employment)) Regulations, they have been accruing pension benefits and the Group has been paying regular contributions into the scheme. The ICM scheme is closed to future service accrual.

The costs of providing pensions under the defined benefit funded pension scheme are estimated on the basis of independent actuarial advice, with full actuarial valuations carried out on a triennial basis, and updated at each balance sheet date.

The operating and finance costs of the scheme are recognised separately within the income statement. Actuarial gains and losses are recognised in full in the period in which they occur and are presented in the statement of comprehensive income.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs, and as reduced by the fair value of scheme assets. Any asset resulting from the calculation is limited to the present value of economic benefits available on the refunds and reduction in future contributions to the plan.

Termination benefits
Termination benefits are payable when an employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

Holiday pay
Paid holidays are regarded as an employee benefit and, as such, are charged to the income statement as the benefits are earned. An accrual is made at the balance sheet date to reflect the fair value of holidays earned but not yet taken.

2.20 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions.

Financial assets
The Group has investments in the following categories: financial assets at fair value through profit or loss and measured at amortised cost. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

The Group assesses at each balance sheet date whether there is objective evidence that financial assets are impaired.

All financial assets are initially recognised at fair value and subsequently held at amortised cost, except for derivatives, which are classified as held for trading and are held at fair value.

Trade receivables
Trade receivables are amounts due from customers for goods sold or 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.

Notes to the consolidated financial statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Financial instruments (continued)

Trade receivables (continued)
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Group recognises lifetime expected credit losses for trade receivables where relevant. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. Under the 'expected credit loss' model, the Group analyses the risk profile of this financial asset based on past experience and an analysis of the receivables' current financial position, potential for a default event to occur, adjusted for specific factors, general economic conditions of the industry in which the receivables operate and assessment of both the current and the forecast direction of conditions at the reporting date.

Cash and cash equivalents
Cash and cash equivalents include cash in hand and bank deposits repayable on demand.

Financial liabilities
All financial liabilities are initially recognised at fair value and subsequently held at amortised cost using the effective interest rate method except for derivatives, which are classified as held for trading and are held at fair value. Financial liabilities held at amortised cost include trade payables, accruals, onerous lease provisions, deferred consideration and borrowings.

Trade payables
Trade payables are obligations to pay for goods and 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 cycles of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value, which is usually the original invoiced amount, and subsequently carried at amortised cost using the effective interest method.

Borrowings
Interest-bearing bank loans and overdrafts are initially recorded at the value of the amount received, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the year of the borrowing using the effective interest method.

Derivative financial instruments and hedging
The Group makes use of derivative financial instruments to hedge its exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value, i.e. cost. Subsequent to initial recognition derivative financial instruments are measured at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the income statement as a component of financing income or costs.

The fair value of the derivative financial instruments is the estimated amount that the Group would receive or pay to terminate the instrument at the balance sheet date, taking into account current interest rates and the current credit-worthiness of the instrument counterparties (refer to note 20).

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting or the Group chooses to end the hedging relationship.

Measurement
The financial instruments included on the Group's balance sheet are measured at fair value or amortised cost. The measurement of this fair value can, in some cases, be subjective and can depend on the inputs used in the calculations. The different valuation methods are called 'hierarchies' and are described below:

Level 1: Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair values measured using inputs, other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and

Level 3: Fair values measured using inputs for the asset or liability that are not based on observable market data.

Notes to the consolidated financial statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Share capital

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

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.22 Dividends

Final dividends are recognised as a liability in the year in which they are declared and approved by the Company's shareholders at the Annual General Meeting. Interim dividends are recognised when they are paid.

2.23 Government grant

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. The grant is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. The Group obtained government grants relating to supporting the payroll of the Group's employees during the Covid-19 pandemic. The Group had to commit to spending the assistance on payroll expenses and not reduce employee headcount below prescribed levels for a specified period of time. The Group does not have any unfulfilled obligations relating to this programme. The Group has elected to present this government grant by reducing the related expense included within operating costs.

2.24 Discontinued operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale (or held for distribution to owners) and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated income statement and consolidated cash flow statement with the comparatives restated.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Management continually evaluates the estimates, assumptions and judgements based on available information and experience. The critical judgements, apart from those involving estimation and assumptions (which are dealt with separately below) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Critical judgements in applying the Group's accounting policies

Identification of performance obligations under IFRS 15
The Group has considered that the performance obligations associated with the connection commission recognised are not distinct in nature and will treat these as a single performance obligation along with the associated contracts, thereby spreading the commission revenue on a straight line basis over the term.

Notes to the consolidated financial statements (continued)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Critical judgements in applying the Group's accounting policies (continued)

Exceptional items
The Group applies judgement in assessing the substance of transactions to identify those that are material individually or in aggregate and non-operating or non-recurring in nature. These are presented as exceptional items in the income statement, within the relevant account heading. Items that may give rise to classification as exceptional items include, but are not limited to, significant Group restructuring and rationalisation programmes, asset impairments, negative goodwill, transaction fees and re-measurement of contingent consideration. The directors are of the opinion that the separate recording of exceptional items provides helpful information about the Group's underlying business performance.

Key sources of estimation uncertainty

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 discussed below:

Revenue recognition and presentation of arrangements with multiple deliverables
In revenue arrangements including more than one deliverable, the deliverables are assigned to one or more separate components of revenue and the arrangement consideration is allocated to each component based on its relative fair value.

Determining the fair value of each deliverable can require complex estimates due to the nature of the goods and services provided. The Group generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a standalone basis or based on comparable pricing arrangements observable in the market.

Valuation of acquired intangible assets
Acquisitions may result in customer relationships, supplier relationships, licences and computer software being recognised. These are valued using discounted cash flow methods which require the application of certain key estimates in respect of discount rates, customer churn and future cash flows.

Impairment of non-financial assets
The Group assesses whether there are any indicators of impairment as at the transition date and thereafter for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets (including the Company's investments in subsidiary undertakings) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. See note 14 for details.

Defined benefit pension accounting
The Group operates two defined benefit pension schemes, the valuation of which involves a number of estimates, such as the rate at which to discount the schemes' liabilities, the rate of return on the schemes' assets and how long the scheme members will live. Changes in these estimates can have a significant impact on the valuation of the schemes' assets and liabilities. See note 9 for details.

Valuation of lease liability
The valuation of the Group's lease liabilities under IFRS 16 involves the discounting of future lease payments using the relevant incremental borrowing rates of the Group. Changes in the discount rate used can have a significant impact on the valuation of the Group's lease liability.

Notes to the consolidated financial statements (continued)

4. SEGMENT INFORMATION

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group board of directors. Operating segments, for the year ended 31 March 2021, were determined on the basis of the reports reviewed by the Group board of directors.

The DWS division, which was one of the Group's operating segments in the prior year, was disposed of during the year and has therefore been disclosed as a discontinued operation (see note 14 for further details) and excluded from the segment information below.

The segments at 31 March 2021 comprised:

SMB
SMB provides packaged products to customers with up to 250 employees.

Corporate
Corporate provides a comprehensive range of ICT solutions, professional services and managed services to customers with between 500 and 2,000 employees.

Allvotec
Allvotec provides point services through system integrators and large solutions and service providers.

The Group offers the following products and services to its customers, served through its trading divisions.

Voice	fixed line calls and inbound telephony services
Connectivity	broadband, fixed line rentals, ethernet, leased lines, managed billing, bonded DSL, IP VPN/MPLS networks, Wi-Fi and VoIP
Mobility	mobile phones, smart phones, airtime and data provision via service provider and managed contract arrangements and white-label offering from O2 and Vodafone
IT Services	business continuity, maintenance, engineering, equipment, hardware, software and professional services
Cloud	hosting, colocation, disaster recovery, data management and infrastructure and productivity services

Net central income
Net central income consists of the net profit generated on the recharge of costs to the divisions that are incurred centrally and not directly attributable to the operating segments.

Segmental revenue represents the total revenue of each business within a reporting segment and includes inter-segment revenue. Segmental profit is the measure used to assess performance internally and is calculated as earnings before interest, taxation, depreciation, amortisation and net exceptional operating costs ("Adjusted EBITDA"), excluding Central costs recharged from the Company.

The Group has opted to disclose additional information on revenue and gross profit in respect of the product categories described above.

All businesses are based in the UK. Inter-segmental transactions are carried out on an arm's length basis. The Group does not have any customers who contribute more than 10% of total revenue (2020: same).

Notes to the consolidated financial statements (continued)

4. SEGMENT INFORMATION (CONTINUED)

The segment information for the year ended 31 March 2021 is as follows:

	SMB £'000	Corporate £'000	Allvotec £'000	Net central income £'000	Continuing operations £'000
Voice	12,556	9,102	-	-	**21,658**
Connectivity	53,495	46,355	66	-	**99,916**
Mobility	51,334	26,533	-	-	**77,867**
IT Services	8,109	97,100	90,299	-	**195,508**
Cloud	6,591	30,890	7,632	-	**45,113**
Total segment revenue	**132,085**	**209,980**	**97,997**	**-**	**440,062**
Inter-segment revenue	(1,960)	(11,074)	(9,974)	-	**(23,008)**
External revenue	**130,125**	**198,906**	**88,023**	**-**	**417,054**
Voice	8,617	4,897	-	-	**13,514**
Connectivity	20,964	13,414	66	-	**34,444**
Mobility	20,761	12,915	-	-	**33,676**
IT Services	4,509	52,591	58,653	-	**115,753**
Cloud	3,867	16,719	6,403	-	**26,989**
Total segment gross profit	**58,718**	**100,536**	**65,122**	**-**	**224,376**
Adjusted EBITDA	**29,451**	**41,435**	**1,377**	**731**	**72,994**
Allocation of central income to continuing operations	180	253	8	(731)	**(290)**
Allocation of central income to discontinued operations	-	-	-	290	**290**
Amortisation	(10,203)	(25,454)	(3,737)	-	**(39,394)**
Depreciation	(805)	(16,250)	(4,061)	(721)	**(21,837)**
Net exceptional operating (costs)/income	(796)	(2,529)	(101,248)	(452)	**(105,025)**
Operating profit/(loss)	**17,827**	**(2,545)**	**(107,661)**	**(883)**	**(93,262)**

Notes to the consolidated financial statements (continued)

4. SEGMENT INFORMATION (CONTINUED)

The segment information for the year ended 31 March 2020 is as follows:

	SMB £'000	Corporate £'000	Allvotec £'000	Net central income £'000	Continuing operations £'000
Voice	14,474	10,493	-	-	**24,967**
Connectivity	58,145	48,759	127	-	**107,031**
Mobility	58,950	32,313	-	-	**91,263**
IT Services	10,244	108,290	95,013	-	**213,547**
Cloud	5,324	35,497	8,431	-	**49,252**
Total segment revenue	**147,137**	**235,352**	**103,571**	**-**	**486,060**
Inter-segment revenue	(1,946)	(9,826)	(16,305)	-	**(28,077)**
External revenue	**145,191**	**225,526**	**87,266**	**-**	**457,983**
Voice	9,815	5,789	-	-	**15,604**
Connectivity	25,218	13,726	127	-	**39,071**
Mobility	21,703	14,123	-	-	**35,826**
IT Services	6,086	55,100	70,476	-	**131,662**
Cloud	1,526	20,814	6,420	-	**28,760**
Total segment gross profit	**64,348**	**109,552**	**77,023**	**-**	**250,923**
Adjusted EBITDA	**29,667**	**38,333**	**7,941**	**503**	**76,444**
Allocation of central income to continuing operations	125	160	33	(503)	**(185)**
Allocation of central income to discontinued operations	-	-	-	185	**185**
Amortisation	(10,653)	(28,368)	(1,299)	(6,665)	**(46,985)**
Depreciation	(648)	(21,720)	(3,788)	(1,394)	**(27,550)**
Net exceptional operating costs	(1,402)	(11,512)	(9,101)	(1,217)	**(23,232)**
Operating profit/(loss)	**17,089**	**(23,107)**	**(6,214)**	**(9,091)**	**(21,323)**

A reconciliation of operating loss to loss before tax is provided below:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Operating loss	**(93,262)**	(21,323)
Net finance expense	**(123,142)**	(109,193)
Share of profit from joint venture	**24**	32
Loss before tax	**(216,380)**	(130,484)

Notes to the consolidated financial statements (continued)

4. SEGMENT INFORMATION (CONTINUED)

Geographic information

The Group is domiciled in the UK and it generates the majority of its revenue from external customers in the UK. The geographic analysis of revenue is based on the country in which the external customer is invoiced.

	Year ended 31 March 2021 £'000	Restated Year ended 31 March 2020 £'000
UK	**415,602**	456,256
Rest of Europe	**1,311**	1,557
Americas	**141**	170
External revenue	**417,054**	457,983

5. BUSINESS COMBINATIONS

On 8 August 2020, the Group acquired the entire share capital of Union Street Technologies Limited for a consideration of £24.8 million on a cash-free, debt-free basis.

On 18 September 2020, the Group acquired the entire share capital of Shaftesbury Systems Limited for a consideration of £3.5 million.

On 18 November 2020, the Group acquired the entire share capital of the Giacom Group for a consideration of £70.0 million on a debt-free basis.

On 30 November 2020, the Group acquired the entire share capital of Elder Studios Limited and its subsidiary undertaking for a consideration of £2.1 million.

The book value of the assets and liabilities acquired and the associated goodwill arising from the acquisitions were as follows:

	Union Street Technologies Limited £'000	**Shaftesbury Systems Limited £'000**	**Giacom Group £'000**	**Elder Studios Limited £'000**	**Total £'000**
Intangible assets	585	6	1,140	-	**1,731**
Fixed assets	1,872	-	859	42	**2,773**
Cash	947	709	8,972	753	**11,381**
Trade and other receivables	932	134	4,180	263	**5,509**
Trade and other payables	(685)	(561)	(20,110)	(227)	**(21,583)**
Provisions	-	-	(100)	-	**(100)**
Corporation tax liability	(358)	(238)	(250)	(2)	**(848)**
Deferred tax liability	(19)	-	(79)	(5)	**(103)**
Net assets/(liabilities) acquired	**3,274**	**50**	**(5,388)**	**824**	**(1,240)**
Goodwill	**21,550**	**3,478**	**75,388**	**1,313**	**101,729**
Purchase consideration	**24,824**	**3,528**	**70,000**	**2,137**	**100,489**

All of these acquired businesses were part of the Group's DWS division, the assets and liabilities of which were derecognised prior to the year end in the manner described in note 14. The initial accounting for the assets and liabilities acquired was incomplete at the date of derecognition, and therefore no adjustments to book values were recognised in the measurement period up to that date.

Notes to the consolidated financial statements (continued)

5. BUSINESS COMBINATIONS (CONTINUED)

The goodwill was attributable to the cost synergies and cross-selling opportunities that were expected to be achieved from combining the acquired customer bases and trade.

Included within trade and other receivables acquired are trade receivables recognised as follows:

	Union Street Technologies Limited £'000	Shaftesbury Systems Limited £'000	Giacom Group £'000	Elder Studios Limited £'000
Gross contractual amounts receivable	903	68	898	251
Provision for non-collection	(145)	(22)	(62)	(9)
	758	46	836	242

Cash flows arising from the acquisitions were as follows:

	Total £'000
Total purchase consideration	100,489
Deferred/contingent consideration	(6,818)
Cash and cash equivalents in acquiree	(11,381)
Cash outflow	82,290

From the date of acquisition to 31 March 2021, the acquired companies contributed the following revenue and Adjusted EBITDA:

	Union Street Technologies Limited £'000	Shaftesbury Systems Limited £'000	Giacom Group £'000	Elder Studios Limited £'000
Revenue	4,178	561	23,734	211
Adjusted EBITDA	1,139	416	2,634	142

The revenue and Adjusted EBITDA of the acquired companies for the year ended 31 March 2021 *were as follows:*

	Union Street Technologies Limited £'000	Shaftesbury Systems Limited £'000	Giacom Group £'000	Elder Studios Limited £'000
Revenue	8,734	1,030	40,660	1,950
Adjusted EBITDA	2,235	773	4,257	192

Notes to the consolidated financial statements (continued)

6. OPERATING LOSS

Operating loss has been arrived at after charging:

	Note	Year ended 31 March 2021 £'000	Restated Year ended 31 March 2020 £'000
Employee costs (net of furlough support received)	8	**110,665**	135,061
Auditors' remuneration			
- audit fees	10	**863**	638
- non-audit fees	10	**558**	276
Property, plant and equipment:			
Depreciation of owned assets	17	**7,644**	10,719
Depreciation of right-of-use assets	17	**14,193**	16,831
Intangible asset amortisation	16	**39,394**	46,985
Cost of inventories recognised as expenses	21	**38,753**	46,352

Notes to the consolidated financial statements (continued)

7. NET EXCEPTIONAL OPERATING COSTS

Items that are either material in size, individually or in aggregate, and non-operating or non-recurring in nature are presented as exceptional items in the income statement, within the relevant account heading. The directors are of the opinion that the separate recording of exceptional items provides helpful information about the Group's underlying business performance. Net exceptional operating costs are summarised below:

	Year ended 31 March 2021 £'000	Restated Year ended 31 March 2020 £'000
Employee-related restructuring costs (i)	**4,136**	3,749
Costs directly relating to acquisitions (ii)	**30**	539
Other restructuring costs (iii)	**6,860**	8,669
Loss-making contracts (iv)	**3,315**	306
Creation of onerous lease provision (v)	**-**	4,082
Re-financing costs (vi)	**-**	1,588
Loss on disposal of property, plant and equipment (vii)	**12**	859
Deferred consideration released (viii)	**(316)**	-
Impairment of right-of-use assets (v)	**-**	3,440
Impairment of goodwill (ix)	**90,988**	-
	105,025	23,232

(i) Employee-related restructuring costs principally relate to redundancy costs.

(ii) Costs directly relating to acquisitions in the current year primarily comprise the fees relating to the acquisitions of Elder Studios Limited and Union Street Technologies Limited. In the prior year the costs related to the acquisitions of Coupra Limited and its subsidiaries.

(iii) Other restructuring costs mainly relate to costs incurred to integrate the systems and business processes for network optimisation and stabilisation of the Group's operations, the cost of integrating acquired businesses and other one-off items that do not reflect the underlying trade of the business.

(iv) An additional provision has been created in the year for the expected future life-time losses on contracts that were identified as loss-making in the Allvotec division.

(v) Following various acquisitions, there are a number of properties in the Group, whose space is not fully utilised, therefore an onerous lease provision was created in the prior year for the costs associated with these areas through to the end of their respective lease terms and an impairment loss was recognised for the corresponding right-of-use assets in the prior year.

(vi) These costs in the prior year related to legal and debt advisory professional fees incurred in relation to sell-down of the super-senior debt and revolving credit facility.

(vii) The loss on disposal of property, plant and equipment in the prior year related to leasehold improvements made on a leased property that was exited in the prior year.

(viii) This relates to the release of deferred consideration for customer lists acquired in the prior year following the final settlement made in the year.

(ix) An impairment charge of £91.0 million has been recognised against the carrying value of the Group's goodwill balance relating to the Allvotec division in the year. See note 15 for further details.

Notes to the consolidated financial statements (continued)

8. EMPLOYEES' COSTS AND DIRECTORS' REMUNERATION

The following employee costs and directors' remuneration are included within operating profit for the year (with the exception of the internal time capitalised as set out below):

	Note	**Year ended 31 March 2021 £'000**	Restated Year ended 31 March 2020 £'000
Wages and salaries		**101,898**	119,904
Social security costs		**11,587**	13,164
Other pension costs		**4,971**	4,334
		118,456	137,402
Staff costs capitalised	16	**(1,882)**	(2,341)
Coronavirus Job Retention Scheme ('CJRS') income		**(5,909)**	-
		110,665	135,061

During the year, £1.9 million (2020 restated: £2.3 million) of internal time spent on developing the internal systems was capitalised as software development.

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

	Year ended 31 March 2021 Number	Year ended 31 March 2020 Number
Operations	**2,575**	2,716
Sales	**517**	563
Executive and administrative	**388**	382
	3,480	3,661

Employee numbers at the balance sheet date are analysed as follows:

	31 March 2021 Number	31 March 2020 Number
Operations	**2,051**	2,666
Sales	**387**	541
Executive and administrative	**265**	385
	2,703	3,592

Included in the above is remuneration (including benefits in kind) for the directors as follows:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Short-term employee benefits	**2,395**	1,967
Post-employment benefits	**4**	21
	2,399	1,988

Emoluments of the highest paid director were £1,245,000 (2020: £1,115,000), which includes contributions of £nil (2020: £nil) to a defined contribution pension scheme. There were no other benefits owed to directors at the year end (2020: £nil).

Post-employment benefits are accruing for one director (2020: two) under a defined contribution pension scheme.

Notes to the consolidated financial statements (continued)

9. RETIREMENT BENEFIT PLANS

The Group makes payments to defined contribution retirement benefit plans that are charged as an expense as they fall due. Payments are made on the basis of a percentage of qualifying salary for certain employees to personal pension schemes.

The total charge to the income statement for the year relating to the defined contribution schemes (for continuing and discontinued operations) was £5,647,000 (2020: £4,921,000). There were no overdue contributions payable at the balance sheet date.

In addition, the Group sponsors two defined benefit pension schemes: the Federated Pension Plan ("FPP scheme") and the ICM Computer Group Pension and Assurance Scheme ("ICM scheme"), which certain of its employees participate in. Since the employees in the FPP scheme transferred into the Group under TUPE (Transfer of Undertakings (Protection of Employment)) Regulations, they have been accruing pension benefits and the Group has been paying regular contributions into the scheme.

The ICM scheme was closed to future service accrual with an effective date of 30 September 2010. Members of this scheme have been invited to make contributions into the defined contribution plan.

The defined benefit schemes are administered by separate funds that are legally distinct from the Company. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund. Under the ICM scheme the employees are entitled to retirement benefits varying between 1.25% and 1.67% of final salary, multiplied by number of years of pensionable service, on attainment of a retirement age of 65. No other post-retirement benefits are provided. The schemes are both funded.

The most recent full actuarial valuations of the schemes' defined benefit obligations were carried out at 6 April 2018 and so the results have been used and updated to 31 March 2021 by a qualified independent actuary for IAS 19 purposes. The projected unit method was used in all valuations and assets were taken into account using market values in both schemes. The scheme durations of 29 years (FPP scheme) and 22 years (ICM scheme) are indicators of the weighted-average time until benefit payments are expected to be made. The Trustees insure certain benefits payable on death before retirement.

The schemes typically expose the Company to actuarial risks such as investment risk, inflation risk and longevity risk:

Investment risk
The present value of the defined benefit plans' liabilities is calculated using a discount rate determined by reference to high quality corporate bond yields. If the return on plan assets is below this rate, it will create a plan deficit. Currently the plans have a relatively balanced investment in equity securities and debt instruments. The investment return in relation to equity securities is variable and as such they are considered riskier investments. This results in 'the equity risk premium' which is included in the yield on the equity investment and compensates investors for the additional risk of holding this type of investment. There is significant uncertainty about the expected size of this risk premium and this risk is managed by holding assets which are less risky in nature but have a corresponding lower return. The risk of default on the assets invested in bonds is considered to be small.

Inflation risk
The defined benefit plans' liabilities are linked to inflation. A higher inflation rate would lead to higher liabilities. The majority of the plans' assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will also increase any deficit or reduce any surplus.

Longevity risk
The present value of the defined benefit plans' liabilities is calculated by reference to the best estimate of the mortality of plan participants. An increase in the life expectancy of the plan participants will increase the plans' liabilities.

Notes to the consolidated financial statements (continued)

9. RETIREMENT BENEFIT PLANS (CONTINUED)

The weighted average principal assumptions used by the actuaries were:

	31 March 2021 %	31 March 2020 %
Discount rate	**2.10**	2.25
Expected rate of salary increases	**2.55**	1.70
Future pension increases		
- RPI max 5% p.a.	**3.00**	2.35
- RPI max 2.5%	**2.15**	1.80
- CPI max 3% p.a.	**2.10**	1.75
Inflation (RPI)	**3.15**	2.40
Inflation (CPI)	**2.55**	1.70
Mortality tables used	100% of SAPS 2 "All" tables Long-term improvement of 1.25% for men and women	100% of SAPS 2 "All" tables Long-term improvement of 1.25% for men and women

The Group uses CPI as the measure for inflation in increasing deferred pensions prior to retirement.

The current life expectancies post retirement (in years) underlying the value of the accrued liabilities for the defined benefit pension schemes are:

	31 March 2021		31 March 2020	
	Male	**Female**	Male	Female
Member currently age 65	**86.6**	**88.6**	86.6	88.5
Member currently age 45	**87.9**	**90.1**	87.9	90.1

Amounts recognised in the consolidated income statement in respect of the defined benefit schemes are as follows:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Current service cost	**(323)**	(451)
Past service cost	**(200)**	-
Net interest income on defined benefit assets	**304**	261
	(219)	(190)

Amounts recognised in the consolidated statement of comprehensive income for the year in respect of the defined benefit schemes are as follows:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Re-measurement (losses)/gains	**(7,127)**	2,113
Return on assets in excess of that recognised in net income	**2,635**	258
Actuarial (losses)/gains on defined benefit pension schemes	**(4,492)**	2,371

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Notes to the consolidated financial statements (continued)

9. RETIREMENT BENEFIT PLANS (CONTINUED)

The amounts included in the consolidated balance sheet arising from the Group's defined benefit schemes are as follows:

	31 March 2021 £'000	31 March 2020 £'000
Present value of defined benefit obligations	**(45,281)**	(37,863)
Fair value of scheme assets	**54,379**	51,115
Net surplus in plans and net defined benefit asset	**9,098**	13,252

The net surplus in the plans can be analysed as follows:

	31 March 2021 £'000	31 March 2020 £'000
Deficit in FPP scheme recognised as non-current liability	**(190)**	-
Surplus in FPP scheme recognised as a non-current asset	**-**	780
Surplus in ICM scheme recognised as a non-current asset	**9,288**	12,472
Net surplus in plans and net defined benefit asset	**9,098**	13,252

The surplus above has been recognised to the extent that, based upon the plan rules, it can be recovered unconditionally by the Group by way of future refund or reduced contribution levels.

The Group is currently contributing £0.3 million (2020: £0.3 million) to the ICM scheme per year, which, along with investment returns from return-seeking assets, is expected to eliminate the funding deficit by December 2022. There is no funding deficit in the FPP scheme.

Notes to the consolidated financial statements (continued)

9. RETIREMENT BENEFIT PLANS (CONTINUED)

ICM scheme
Movements in the present value of defined benefit obligations were as follows:

	£'000
At 1 April 2019	33,696
Interest cost	818
Re-measurement losses/(gains):	
Actuarial losses from changes in demographic assumptions	70
Actuarial gains from changes in financial assumptions	(1,651)
Actuarial gains from experience	(71)
Benefits paid	(597)
At 31 March 2020	32,265
At 1 April 2020	**32,265**
Interest cost	**715**
Past service cost	**200**
Re-measurement (gains)/losses:	
Actuarial gains from changes in demographic assumptions	**(111)**
Actuarial losses from changes in financial assumptions	**5,827**
Actuarial gains from experience	**(300)**
Benefits paid	**(994)**
At 31 March 2021	**37,602**

Movements in the fair value of scheme assets were as follows:

	£'000
At 1 April 2019	43,359
Interest income	1,063
Contributions by the employer	501
Remeasurement gains on scheme assets	411
Benefits paid	(597)
At 31 March 2020	44,737
At 1 April 2020	**44,737**
Interest income	**998**
Contributions by the employer	**251**
Remeasurement gains on scheme assets	**1,898**
Benefits paid	**(994)**
At 31 March 2021	**46,890**

Notes to the consolidated financial statements (continued)

9. RETIREMENT BENEFIT PLANS (CONTINUED)

FPP scheme
Movements in the present value of defined benefit obligations were as follows:

	£'000
At 1 April 2019	5,528
Interest cost	135
Current service cost	451
Contributions by plan participants	13
Re-measurement (gains)/losses:	
Actuarial losses from changes in demographic assumptions	9
Actuarial gains from changes in financial assumptions	(467)
Actuarial gains from experience	(3)
Benefits paid	(68)
At 31 March 2020	5,598
At 1 April 2020	**5,598**
Interest cost	**126**
Current service cost	**323**
Contributions by plan participants	**5**
Re-measurement (gains)/losses:	
Actuarial gains from changes in demographic assumptions	**(19)**
Actuarial losses from changes in financial assumptions	**1,741**
Actuarial gains from experience	**(11)**
Benefits paid	**(84)**
At 31 March 2021	**7,679**

Movements in the fair value of scheme assets were as follows:

	£'000
At 1 April 2019	5,961
Interest income	151
Contributions by the employer	474
Contributions by the plan participants	13
Remeasurement losses on scheme assets	(153)
Benefits paid	(68)
At 31 March 2020	6,378
At 1 April 2020	**6,378**
Interest income	**147**
Contributions by the employer	**379**
Contributions by the plan participants	**5**
Remeasurement gains on scheme assets	**737**
Administrative costs incurred	**(73)**
Benefits paid	**(84)**
At 31 March 2021	**7,489**

Notes to the consolidated financial statements (continued)

9. RETIREMENT BENEFIT PLANS (CONTINUED)

The major categories and fair values of the FPP and ICM schemes' assets at the balance sheet date for each category are as follows:

	31 March 2021 £'000	31 March 2020 £'000
Equities	**3,349**	2,840
Bonds	**13,924**	13,458
Gilts	**15,360**	14,470
Diversified growth funds	**20,709**	20,100
Cash and cash equivalents	**1,037**	247
	54,379	51,115

The schemes' assets do not include any of the Group's own financial instruments, nor any property occupied or other assets used by the Group. All equity and debt instruments have quoted prices in active markets.

The movement in the total net surplus in both schemes can be analysed as follows:

	£'000
At 1 April 2019	10,096
Net interest income	261
Current service cost	(451)
Re-measurement gains	2,113
Return on assets in excess of that recognised in net income	258
Employer contributions	975
At 31 March 2020	13,252
At 1 April 2020	**13,252**
Net interest income	**304**
Past service cost	**(200)**
Current service cost	**(323)**
Re-measurement losses	**(7,127)**
Return on assets in excess of that recognised in net income	**2,635**
Administrative costs incurred	**(73)**
Employer contributions	**630**
At 31 March 2021	**9,098**

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	**Change in assumption**	**31 March 2021 Increase in scheme liabilities £'000**
Discount rate	Decrease by 0.25ppts	**2,869**
Inflation	Increase by 0.25ppts	**2,080**
Mortality	Long-term mortality improvement of 1.5%	**665**

Assumption	**Change in assumption**	31 March 2020 Increase in scheme liabilities £'000
Discount rate	Decrease by 0.25ppts	2,299
Inflation	Increase by 0.25ppts	1,698
Mortality	Long-term mortality improvement of 1.5%	503

Notes to the consolidated financial statements (continued)

10. AUDITORS' REMUNERATION

During the year, the Group obtained the following services from the Company's auditors:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	**40**	38
Fees payable to the Company's auditors for other services:		
- Audit of the Company's subsidiaries pursuant to legislation – continued operations	**740**	600
- Audit of the Company's subsidiaries pursuant to legislation – discontinued operations	**83**	-
Total audit fees	**863**	638
Non-audit services - services relating to taxation	**-**	34
Non-audit services - other	**558**	242
	1,421	914

Other non-audit services principally relate to group structuring support and pension scheme advisory work in the year (2020: group structuring support).

11. FINANCE INCOME AND FINANCE COSTS

	Year ended 31 March 2021 £'000	Restated Year ended 31 March 2020 £'000
Finance income		
Bank interest	**79**	981
Interest on pensions	**304**	261
Other interest	**2**	8
Fair value movements on derivatives	**601**	-
	986	1,250
Finance costs		
Senior debt interest	**63,201**	63,204
Interest and costs associated with hedging agreements	**1,757**	74
Loss on modification - borrowings	**12,590**	-
PIK debt interest	**43,923**	38,496
Other interest	**95**	391
Leases	**2,562**	3,630
Fair value movements on derivatives	**-**	4,648
	124,128	110,443

The loss on modification arises as a result of the early repayment of £696.7 million of the Group's borrowings in the year following the demerger and sale of the DWS division.

Notes to the consolidated financial statements (continued)

11. FINANCE INCOME AND FINANCE COSTS (CONTINUED)

Finance costs can be reconciled to the cash flow statement as follows:

	Note	**Year ended 31 March 2021 £'000**	Restated Year ended 31 March 2020 £'000
Finance costs from continuing operations		**124,128**	110,443
Less non-cash element of interest charge from EIR model		**(4,111)**	(3,916)
Less loss on modification - borrowings		**(12,590)**	-
Less PIK debt interest		**(43,923)**	(38,496)
Less leases		**(2,562)**	(3,630)
Less fair value movements on derivatives		**-**	(4,640)
Movement in interest accrual		**(3,231)**	1,097
Cash outflow relating to finance costs from continuing operations		**57,711**	60,858
Finance costs from discontinued operations	14	**914**	117
Less leases		**(100)**	(106)
Cash outflow relating to finance costs from discontinued operations		**814**	11
Cash outflow relating to finance costs		**58,525**	60,869

12. SHARE OF PROFIT FROM JOINT VENTURE

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Share of profit from DUCL	**24**	32

The Group has a 50% investment in a joint venture Daisy Updata Communications Limited ("DUCL"). The Group's share of the profit relating to DUCL was £24,000 (2020: £32,000) which is now incorporated into the investment in joint ventures (note 18).

Notes to the consolidated financial statements (continued)

13. INCOME TAX

	Note	Year ended 31 March 2021 £'000	Restated Year ended 31 March 2020 £'000
Current tax			
UK corporation tax – current year		**3,447**	772
UK corporation tax – adjustments in respect of prior year		**(299)**	(5)
		3,148	767
Deferred tax			
Origination and reversal of temporary differences in relation to deferred tax assets- current year	19	**5,776**	(656)
Origination and reversal of temporary differences in relation to deferred tax liabilities- current year	19	**(5,342)**	(5,716)
Origination and reversal of temporary differences in relation to deferred tax assets- adjustments in respect of prior year	19	**(802)**	(4,517)
		(368)	(10,889)
Total tax charge/(credit)		**2,780**	(10,122)

The charge/(credit) for the year can be reconciled to the loss from the income statement as follows:

	Year ended 31 March 2021 £'000	Restated Year ended 31 March 2020 £'000
Loss before tax:		
Continuing operations	**(216,380)**	(130,484)
Loss before tax at 19% (2020: 19%)	**(41,112)**	(24,792)
Tax effect of non-deductible expenses	**23,297**	13,701
Impairment of goodwill	**17,288**	-
Tax rate differences between current and deferred tax	**-**	39
Changes in respect of rate change on deferred tax balances	**-**	140
Group relief surrendered	**6,279**	6,939
Movement on unrecognised deferred tax	**(1,871)**	(1,627)
Adjustments in respect of prior year	**(1,101)**	(4,522)
Total tax charge/(credit)	**2,780**	(10,122)

The Government announced in the Budget on 3 March 2021 that the UK rate of corporation tax would rise to 25% from 1 April 2023. As the increase had not been substantively enacted at the balance sheet date, the deferred tax balances in these financial statements are stated at 19%, the current rate of corporation tax. An increase in the deferred tax asset of £2.5m will be recognised in the year ending 31 March 2022 as the Finance Act 2021 has now been enacted.

Notes to the consolidated financial statements (continued)

14. DISCONTINUED OPERATIONS

On 24 December 2020, contracts were exchanged which would result in the eventual demerger of Digital Wholesale Solutions Holdings Limited, Aurora Kendrick James Limited and their subsidiary undertakings from the Group and the sale of the Giacom Group, which together form the DWS division. As part of the steps plan to effect this demerger of the DWS division from the Daisy Group, the Group's interest in the DWS division was sold on 12 March 2021 for total consideration of £304.0 million to Daisy Holdco Limited, a company incorporated on 15 December 2020 which acquired Daisy Group Holdings Limited by way of a share for share exchange on 8 February 2021, which was settled through the intercompany accounts. On 17 March 2021, the DWS division was demerged from the Daisy Holdco Group and subsequently sold on 31 March 2021 together with the Giacom Group (including Daisy Bidco Limited) for £1.0 billion with a resultant repayment of £696.7 million of the Group's senior and PIK debt (including accrued interest).

As a result of the above transactions, the disposal of the DWS division has been treated as a distribution from the Group to its new parent company, Daisy Holdco Limited. The results of the DWS division have been reported as a discontinued operation in these consolidated financial statements in both the current and prior year with a profit from discontinued operations recognised of £612.8 million (2020: £35.8 million), which includes a £577.2 million fair value uplift on the distribution of the DWS division to Daisy Holdco Limited. Financial information relating to the discontinued operation for the period to the date of disposal is set out below. The financial performance and cash flow information presented below are for the period ended 12 March 2021 and the year ended 31 March 2020.

Income statement

	Note	**Period ended 12 March 2021 £'000**	Year ended 31 March 2020 £'000
Revenue		**212,032**	206,440
Cost of sales		**(140,984)**	(135,870)
Gross profit		**71,048**	70,570
Operating costs		**(32,006)**	(34,229)
Operating profit		**39,042**	36,341
Adjusted EBITDA		**47,285**	44,373
Amortisation of intangible assets	16	**(5,517)**	(5,348)
Depreciation	17	**(975)**	(1,079)
Exceptional operating costs – costs directly relating to acquisitions		**(1,635)**	-
Net exceptional operating costs – other		**(116)**	(1,605)
Operating profit		**39,042**	36,341
Finance costs	11	**(914)**	(117)
Profit before tax		**38,128**	36,224
Income tax charge		**(2,524)**	(452)
Profit after tax from discontinued operations		**35,604**	35,772
Gain on distribution of discontinued operations to the owners		**577,219**	-
Profit from discontinued operations		**612,823**	35,772

Notes to the consolidated financial statements (continued)

14. DISCONTINUED OPERATIONS (CONTINUED)

Cash flow statement

The cash flow statement includes the following amounts relating to discontinued operations:

	Period ended 12 March 2021 £'000	Year ended 31 March 2020 £'000
Cash flows from operating activities	**59,878**	45,946
Cash flows from investing activities	**(118,904)**	(11,575)
Cash flows from financing activities	**(1,675)**	(757)
Net cash from discontinued operations	**(60,701)**	33,614

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Notes to the consolidated financial statements (continued)

15. GOODWILL

	Note	£'000
Cost		
At 1 April 2019		746,227
Additions		13,811
At 31 March 2020		**760,038**
At 1 April 2020		760,038
Additions	5	101,729
Transfer to assets held for distribution to owners		(393,834)
At 31 March 2021		**467,933**
Accumulated impairment		
At 1 April 2019 and At 31 March 2020		**-**
At 1 April 2020		-
Charge for the year	7	(90,988)
At 31 March 2021		**(90,988)**
Net book amount		
At 1 April 2019		**746,227**
At 31 March 2020		**760,038**
At 31 March 2021		**376,945**

As set out in note 14, the DWS division was classified as a discontinued operation and subsequently distributed to the Group's parent owner during the year and therefore ceased to be a cash-generating unit of the Group. As a result, the goodwill balance relating to the DWS division was transferred to assets held for distribution to owners and subsequently derecognised in the Group's consolidated financial statements at the date of the distribution.

In accordance with IAS 36, goodwill is not amortised, but is reviewed annually for impairment or more frequently if there are indications that it may be impaired.

The directors have determined that goodwill cannot be allocated to individual cash-generating units ("CGUs") on a non-arbitrary basis. Goodwill is therefore allocated to groups of CGUs, which align to the operating segments identified in note 4 and are the lowest level that is monitored by management, as follows for impairment testing:

	31 March 2021	31 March 2020
	£'000	£'000
SMB	**92,983**	92,983
DWS	**-**	292,087
Corporate	**252,210**	252,210
Allvotec	**31,752**	122,758
	376,945	760,038

Notes to the consolidated financial statements (continued)

15. GOODWILL (CONTINUED)

The carrying value of the Group's goodwill is not subject to annual amortisation and was tested for impairment at 31 March 2021. The recoverable amount has been determined on a value-in-use basis for each cash-generating unit using the Board-approved 5-year plan for each cash-generating unit. The growth rate into perpetuity is 2.0% (2020: 2.0%). These cash flows are then discounted using a market participant's pre-tax discount rate as set out below, which is derived from the Company's weighted average cost of capital ("WACC").

	31 March 2021	31 March 2020
	%	%
SMB	**9.0**	9.8
DWS	**-**	9.8
Corporate	**9.3**	9.8
Allvotec	**9.1**	9.8

Based on the results of the current year impairment review an impairment charge of £91.0 million has been recognised in exceptional costs against the carrying value of goodwill relating to the Allvotec division. This reflects the impact of pandemic restrictions on the division's ability to perform on-site installation work and the slow pace of recovery to date for such project work, effectively delaying the division's growth plans both within and beyond the five year forecast period of the model. No class of asset other than goodwill was impaired.

There is adequate headroom in the other two remaining cash-generating units and so no impairment charges have been recognised by the Group for them in the year ended 31 March 2021. The board has considered various sensitivity analyses in order to appropriately evaluate the carrying value of goodwill including changes in the growth rate and changes in the discount rate. The recoverable amount of the Corporate CGU is estimated to exceed its carrying amount at 31 March 2021 by £6.0 million. Based on these analyses the directors note that the carrying value of the Corporate CGU is sensitive to reasonably possible changes in key assumptions. A reduction in the terminal growth rate to 1.8% or an increase in the discount rate to 9.4% would result in the estimated recoverable amount equalling the carrying amount of the CGU. The directors do not consider there to be any reasonably possible changes in assumptions that would lead to an impairment of the SMB division as at 31 March 2021.

Notes to the consolidated financial statements (continued)

16. OTHER INTANGIBLE ASSETS

	Note	Customer lists £'000	Computer software £'000	Licences £'000	Intellectual property £'000	Total £'000
Cost						
At 1 April 2019		385,179	30,899	7,203	2,319	**425,600**
Acquisitions through business combinations		9,566	71	-	-	**9,637**
Additions		10,782	9,566	840	-	**21,188**
Disposals		(6,745)	(49)	-	-	**(6,794)**
Reclassifications*		(484)	1,827	(1,827)	-	**(484)**
At 31 March 2020		**398,298**	**42,314**	**6,216**	**2,319**	**449,147**
At 1 April 2020		398,298	42,314	6,216	2,319	**449,147**
Acquisitions through business combinations	5	-	1,731	-	-	**1,731**
Additions		5,558	7,762	-	-	**13,320**
Transfer to assets held for distribution to owners		(9,599)	(19,282)	-	-	**(28,881)**
At 31 March 2021		**394,257**	**32,525**	**6,216**	**2,319**	**435,317**
Accumulated amortisation and impairment						
At 1 April 2019		296,171	20,930	5,889	1,443	**324,433**
Amortisation for the year	6	43,766	8,131	96	340	**52,333**
Disposals		(6,176)	(47)	-	-	**(6,223)**
Reclassifications*		(313)	-	-	-	**(313)**
At 31 March 2020		**333,448**	**29,014**	**5,985**	**1,783**	**370,230**
At 1 April 2020		333,448	29,014	5,985	1,783	**370,230**
Amortisation for the year	6	37,728	6,712	131	340	**44,911**
Transfer to assets held for distribution to owners		(6,849)	(8,055)	-	-	**(14,904)**
At 31 March 2021		**364,327**	**27,671**	**6,116**	**2,123**	**400,237**
Net book amount						
At 1 April 2019		**89,008**	**9,969**	**1,314**	**876**	**101,167**
At 31 March 2020		**64,850**	**13,300**	**231**	**536**	**78,917**
At 31 March 2021		**29,930**	**4,854**	**100**	**196**	**35,080**
Average remaining amortisation period (years)		**1**	**1**	**1**	**1**	

** Assets with a net book value of £171,000 (gross cost £484,000 and accumulated amortisation £313,000) in the prior year were reclassified from intangible assets to property, plant and equipment.*

Notes to the consolidated financial statements (continued)

16. OTHER INTANGIBLE ASSETS (CONTINUED)

Amortisation for the year can be reconciled to the income statement as follows:

	Note	**Year ended 31 March 2021 £'000**	Year ended 31 March 2020 £'000
Amortisation from continuing operations		**39,394**	46,985
Amortisation from discontinued operations	14	**5,517**	5,348
		44,911	52,333

Other intangible additions can be reconciled to the cash flow statement as follows:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Additions	**13,320**	21,188
Additions not paid at year end	**(90)**	(1,543)
Additions included in prior year but paid in the current year	**1,543**	-
Additions relating to discontinued operations	**(7,724)**	(11,289)
Leases	**(140)**	-
	6,909	8,356

All amortisation from continuing operations above is included within operating costs and is disclosed separately on the face of the income statement. Employee costs totalling £1.9 million in the current year have been capitalised within the computer software additions above.

Employee costs capitalised within the computer software additions above in the prior year from continuing operations and discontinued operations were £2.3 million and £1.8 million respectively.

Notes to the consolidated financial statements (continued)

17. PROPERTY, PLANT AND EQUIPMENT

	Note	Land and buildings £'000	Leasehold improvements £'000	Network infrastructure £'000	Computers and office equipment £'000	Motor vehicles £'000	Total £'000
Cost							
At 1 April 2019		84,778	8,786	13,186	55,014	9,652	**171,416**
Acquisitions through business combinations		1,247	6	-	174	-	**1,427**
Additions		6,241	198	315	6,004	1,022	**13,780**
Disposals		(8,983)	(3,522)	(511)	(2,190)	(862)	**(16,068)**
Reclassifications*		-	(271)	484	775	-	**988**
At 31 March 2020		**83,283**	**5,197**	**13,474**	**59,777**	**9,812**	**171,543**
At 1 April 2020		83,283	5,197	13,474	59,777	9,812	**171,543**
Acquisitions through business combinations	5	1,640	44	-	1,031	58	**2,773**
Additions		7,093	1,466	159	6,732	1,154	**16,604**
Disposals		(779)	(84)	(110)	(1,075)	(4,582)	**(6,630)**
Transfer to assets for held for distribution to owners		(4,973)	(968)	-	(5,154)	(59)	**(11,154)**
At 31 March 2021		**86,264**	**5,655**	**13,523**	**61,311**	**6,383**	**173,136**
Accumulated depreciation and impairment							
At 1 April 2019		25,535	4,171	11,845	33,378	5,953	**80,882**
Charge for the year	6	13,269	1,685	944	10,581	2,150	**28,629**
Impairment		3,440	-	-	-	-	**3,440**
Disposals		(1,935)	(2,523)	(481)	(2,144)	(731)	**(7,814)**
Reclassifications*		-	12	313	492	-	**817**
At 31 March 2020		**40,309**	**3,345**	**12,621**	**42,307**	**7,372**	**105,954**
At 1 April 2020		40,309	3,345	12,621	42,307	7,372	**105,954**
Charge for the year	6	11,825	529	562	8,446	1,450	**22,812**
Disposals		(716)	(84)	(106)	(175)	(4,583)	**(5,664)**
Transfer to assets held for distribution to owners		(1,811)	(469)	-	(3,364)	-	**(5,644)**
At 31 March 2021		**49,607**	**3,321**	**13,077**	**47,214**	**4,239**	**117,458**
Net book amount							
At 1 April 2019		**59,243**	**4,615**	**1,341**	**21,636**	**3,699**	**90,534**
At 31 March 2020		**42,974**	**1,852**	**853**	**17,470**	**2,440**	**65,589**
At 31 March 2021		**36,657**	**2,334**	**446**	**14,097**	**2,144**	**55,678**

** Assets with a net book value of £171,000 (gross cost £484,000 and accumulated amortisation £313,000) in the prior year were reclassified from intangible assets to property, plant and equipment. Further reclassifications totalling £504,000 were made in the prior year between cost and accumulated depreciation.*

The depreciation charge for the year can be reconciled to the income statement as follows:

	Note	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Depreciation from continuing operations		**21,837**	27,550
Depreciation from discontinued operations	14	**975**	1,079
		22,812	28,629

Notes to the consolidated financial statements (continued)

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, plant and equipment additions can be reconciled to the cash flow statement as follows:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Additions	**16,604**	13,780
Additions relating to provision capitalisation	**(1,125)**	(222)
Additions not paid at year end	**-**	(124)
Additions included in prior year but paid in the current year	**124**	-
Additions relating to right of use assets arising from leases	**(9,478)**	(7,257)
Additions relating to discontinued operations	**(961)**	(246)
	5,164	5,931

Included within property, plant and equipment for the current year are the following right-of-use assets, for which the Group is the lessee, accounted for in line with the requirements of IFRS 16. Additions to the right-of-use assets during the 2021 financial year were £9.5 million (2020: £7.3 million).

31 March 2021

	Land and buildings £'000	**Motor vehicles £'000**	**Network Infrastructure £'000**	**Computers and office equipment £'000**	**Total £'000**
Cost	72,328	6,453	6,963	13,392	**99,136**
Accumulated depreciation and impairment	(47,271)	(4,287)	(6,834)	(9,801)	**(68,193)**
Net book amount	**25,057**	**2,166**	**129**	**3,591**	**30,943**

31 March 2020

	Land and buildings £'000	**Motor vehicles £'000**	**Network Infrastructure £'000**	**Computers and office equipment £'000**	**Total £'000**
Cost	69,288	9,882	7,073	12,163	**98,406**
Accumulated depreciation and impairment	(38,404)	(7,420)	(6,686)	(8,219)	**(60,729)**
Net book amount	**30,884**	**2,462**	**387**	**3,944**	**37,677**

The depreciation from continuing operations expense is included within operating costs and is disclosed separately on the face of the income statement.

18. INVESTMENT IN JOINT VENTURES

The Group has 50% ownership of Daisy Updata Communications Limited ("DUCL"). DUCL has a managed service contract with a large public sector organisation.

The Group's share of the profit for the year relating to DUCL was £24,000 (2020: £32,000), which has been incorporated into the balance of investment in joint venture.

	Note	**£'000**
Share of accumulated losses in joint venture at 1 April 2019		128
Share of profit for the year relating to DUCL	12	32
Share of accumulated profit in joint venture at 31 March 2020		**160**
Share of accumulated losses in joint venture at 1 April 2020		160
Share of profit for the year relating to DUCL	12	24
Share of accumulated profit in joint venture at 31 March 2021		**184**

Notes to the consolidated financial statements (continued)

19. DEFERRED TAX ASSETS AND LIABILITIES

	Note	General provisions and fair value of financial instruments £'000	Depreciation in excess of capital allowances £'000	Tax losses £'000	Total £'000
Deferred tax assets					
At 1 April 2019		712	6,701	1,004	**8,417**
Business combinations – current year		-	(58)	-	**(58)**
Charge for the year	13	395	2,544	2,234	**5,173**
At 31 March 2020		**1,107**	**9,187**	**3,238**	**13,532**
At 1 April 2020		1,107	9,187	3,238	**13,532**
Transfer to assets held for distribution to owners		-	(410)	-	**(410)**
Other movements		-	-	75	**75**
Charge for the year	13	(398)	(1,308)	(3,268)	**(4,974)**
At 31 March 2021		**709**	**7,469**	**45**	**8,223**

	Note	Intangible assets £'000	Retirement benefit obligations £'000	Other timing differences £'000	Total £'000
Deferred tax liabilities					
At 1 April 2019		14,365	1,643	-	**16,008**
Business combinations – current year		1,374	-	-	**1,374**
Amounts credited to other comprehensive income		-	392	-	**392**
(Credit)/charge for the year	13	(6,051)	335	-	**(5,716)**
At 31 March 2020		**9,688**	**2,370**	**-**	**12,058**
At 1 April 2020		9,688	2,370	-	**12,058**
Business combinations – current year	5	-	-	103	**103**
Transfer to assets held for distribution to owners		-	-	(103)	**(103)**
Amounts charged to other comprehensive income		-	(925)	-	**(925)**
(Credit)/charge for the year	13	(5,622)	280	-	**(5,342)**
At 31 March 2021		**4,066**	**1,725**	**-**	**5,791**

At 31 March 2021 there were unrelieved tax losses in the Group of £85.0 million (2020: £100.0 million). The Group had a potential deferred tax asset in relation to unrelieved losses, fixed asset timing differences and other short-term timing differences of £17.8 million (2020: £29.2 million). A deferred tax asset has been recognised where, in the opinion of the directors, the Group is expected to make sufficient profits against which these tax assets can be set off in the future. This means that there is an unrecognised deferred tax asset at 31 March 2021 of £15.6 million (2020: £16.3 million).

The majority of the recognised deferred tax asset that relates to carried forward tax losses is expected to be utilised over the next 5 years, of which £0.1 million (2020: £2.5 million) is expected to be utilised in the next 12 months. The majority of the recognised deferred tax asset that relates to depreciation in excess of capital allowances is expected to be utilised over the next 5 years, of which £2.0 million (2020: £2.0 million) is expected to be utilised in the next 12 months.

The majority of the recognised deferred tax asset that relates to general provisions and the fair value of financial instruments is expect to be utilised in the next 12 months.

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Notes to the consolidated financial statements (continued)

19. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The majority of the deferred tax liability that relates to intangible assets is expected to be reversed over the next 3 years, of which £3.7 million (2020: £4.8 million) is expected to be utilised in the next 12 months. The deferred tax liability that relates to retirement benefit obligations is not expected to reverse in the next 12 months.

20. FINANCIAL INSTRUMENTS

20.1 Fair values of financial assets and liabilities

The Group's principal financial instruments during the year comprised cash, cash equivalents, receivables, payables and borrowings. Other financial assets and liabilities, such as net investments in leases and other payables, arise directly from the Group's operating activities. The difference between the carrying value and the fair value of these financial instruments is not material.

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments:

a) Floating rate borrowings

The fair value of floating rate borrowings approximates to carrying value because interest rates are at floating rates where repayments are reset to market rates at intervals of less than one year.

b) Fixed rate borrowings

The fair value of fixed rate borrowings, namely the leases and the hire purchase obligations, are estimated by discounting the future contracted cash flows using appropriate interest rates to net present value.

c) Trade and other receivables, trade and other payables and cash

For these items with a remaining life of less than one year, the book value reflects the amount that is expected to be recovered.

The following categories of financial instruments are held by the Group:

	31 March 2021 £'000	31 March 2020 £'000
Financial assets		
Measured at amortised cost – cash and cash equivalents	**64,129**	44,036
Measured at amortised cost – trade and other receivables excluding prepayments and contract costs	**72,806**	103,334
	136,935	147,370
Financial liabilities		
Derivative instruments at fair value through profit or loss	**4,047**	4,648
Other financial liabilities at amortised cost – borrowings (excluding lease liabilities)	**600,245**	1,141,275
Other financial liabilities at amortised cost – lease liabilities	**36,477**	45,127
Other financial liabilities at amortised cost – trade and other payables excluding deferred income and social security and other taxes	**97,521**	114,064
	738,290	1,305,114

Notes to the consolidated financial statements (continued)

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.2 Financial risk management

The Group's activities expose it to a variety of financial risks including interest rate risk, liquidity risk and credit risk. Exposure to foreign currency risk is minimal as the Group's borrowings at variable and fixed rates are denominated in sterling. No foreign exchange contracts were entered into in the current year as the Group has no direct material foreign exchange exposure.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to ensure sufficient liquidity is available to meet its foreseeable needs and to invest cash assets safely and profitably.

The Group regularly reviews its exposure to these risks and, where appropriate, will take action to minimise the impact of these risks on the business. The directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The Group's finance department implements the policies set by the board, with clearly defined authority and approval limits.

In accordance with its policy, the Group does not hold or use derivative financial instruments for trading or speculative purposes. Such instruments are only used on occasion to manage the risks arising from operating or financial assets or liabilities or highly probable future transactions.

a) Interest rate risk

Interest rate risk comprises both the interest rate price risk that results from borrowing at fixed rates of interest and also the interest cash flow risk that results from borrowing at variable rates. Whilst floating rate borrowings are not exposed to changes in fair value, the Group is exposed to cash flow risk as costs increase if market rates rise.

On 5 November 2019 a new swap was entered into with an effective date of 31 October 2019 with two providers covering a total notional principal debt of £445.0 million. This agreement swapped a LIBOR interest rate for a fixed rate of 0.556% for a 5 year term with an option to terminate after 2 years in favour of the providers. This derivative was not designated as a cash flow hedge and therefore all movements in the fair value of the derivative have been recognised in the income statement. The fair value of this instrument at 31 March 2021 was a liability of £4.0 million (2020: £4.7 million) and the fair value movement has been recognised as a credit in finance income in the income statement for the year. The fair value measurement is classified as Level 2, derived from other observable market data. This means that the fair value is based upon the mark-to-market valuation at the balance sheet date. Fair value measurement at Level 2 gives consideration to interest rates and yield curves at commonly quoted intervals for relevant currencies.

The Group holds cash balances which are subject to floating rates of interest. While the rates of interest inherent in net investments in lease receivables are variable dependent on the credit-worthiness of the end customer, once contracts are entered into the rate is fixed and there is no further exposure to interest rate changes.

At 31 March 2021 it is estimated that a 0.5% movement in interest rates, which represents management's assessment of a reasonably possible change, with all other variables remaining constant, would impact the Group's full-year loss before tax by approximately £3.6 million (2020: £4.1 million).

Notes to the consolidated financial statements (continued)

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.2 Financial risk management (continued)

b) Credit risk

Credit risk arises because a counterparty may fail to perform its obligations. The Group is exposed to credit risk on financial assets such as cash balances, net investments in leases and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. The amounts recognised in the balance sheet are net of appropriate allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment on lifetime expected credit losses. Appropriate credit checks are undertaken on all potential customers before new contracts are accepted. Individual exposures are monitored with customers subject to credit limits to ensure the Group's exposure to bad debts is minimised. The Group's customers are spread across a wide range of industry and service sectors and consequently the Group is not exposed to material concentrations of credit risk on its trade receivables.

Credit risk associated with cash balances and funding to purchase leased vehicles is managed by transacting with financial institutions with high quality credit ratings. Accordingly, the Group's associated credit risk is deemed to be limited. All institutions utilised by the Group require the advance approval of the board.

The carrying amount of financial assets represents the maximum credit exposure at the balance sheet date. See note 22 for further information on trade receivables and net investment in leases.

c) Liquidity risk

Liquidity risk represents the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group actively forecasts, manages and reports its working capital requirements on a regular basis to ensure that it has sufficient funds for its operations. Significant items of capital expenditure require prior approval by the board.

The table below analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the gross contractual undiscounted cash flows.

31 March 2021	Gross cash outflows				
	Within 1 year £'000	Between 1 and 5 years £'000	After 5 years £'000	Discounting £'000	Carrying value £'000
Floating rate					
Bank borrowings	17,080	539,267	-	(140,347)	**416,000**
Fixed rate					
PIK debt	-	367,154	-	(171,901)	**195,253**
Lease obligations	11,139	25,854	5,714	(6,230)	**36,477**
Other					
Provisions	2,630	9,560	2,460	-	**14,650**
Other financial liabilities– trade and other payables excluding contingent consideration, deferred income and social security and other taxes	96,909	612	-	-	**97,521**
	127,758	**942,447**	**8,174**	**(318,478)**	**759,901**

Notes to the consolidated financial statements (continued)

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.2 Financial risk management (continued)

c) Liquidity risk (continued)

31 March 2020	Gross cash outflows				
	Within 1 year £'000	Between 1 and 5 years £'000	After 5 years £'000	Discounting £'000	Carrying value £'000
Floating rate					
Bank borrowings	34,049	234,576	888,426	(338,825)	**818,226**
Fixed rate					
PIK debt	-	-	762,417	(411,852)	**350,565**
Lease obligations	13,957	29,818	9,100	(7,748)	**45,127**
Other					
Provisions	3,571	6,446	3,662	-	**13,679**
Contingent consideration	939	-	-	-	**939**
Other financial liabilities– trade and other payables excluding contingent consideration, deferred income and social security and other taxes	110,017	3,108	-	-	**113,125**
	162,533	**273,948**	**1,663,605**	**(758,425)**	**1,341,661**

The contingent consideration balances in the prior year were recorded at fair value and, as the inputs for the valuation of the liabilities are not based on observable market data, they are classified as Level 3 financial liabilities.

d) Capital risk management

The Group's capital structure consists of net debt and total equity. The Group is subject to the risk that its capital structure will not be sufficient to support the growth of the business. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. There were no changes to the Group's approach to capital management during the year.

The Group has one covenant, being Adjusted leverage (the ratio of Adjusted EBITDA to net debt) on its senior and super-senior debt facilities. The covenant is measured quarterly on a lagging 12 month basis, with the target ratio reducing over time. The target ratio is set at a lower level for the senior than it is for the super-senior debt facilities.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with industry practice, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as current and non-current borrowings (excluding unamortised fees) less cash and cash equivalents. Total capital is calculated as equity as disclosed in the consolidated balance sheet plus net debt as defined above. The gearing ratios were as follows:

	Note	31 March 2021 £'000	31 March 2020 £'000
Total borrowings*	26	**647,730**	1,213,918
Less: cash and cash equivalents	23	**(64,129)**	(44,036)
Net debt		**583,601**	1,169,882
Total equity		**(176,803)**	(262,953)
Total capital		**406,798**	906,929
Gearing ratio		**143.5%**	129.0%

** Excludes unamortised bank borrowing fees of £11.0 million (2020: £27.5 million).*

Notes to the consolidated financial statements (continued)

21. INVENTORIES

	31 March 2021 £'000	31 March 2020 £'000
Materials to be used in the rendering of services	**3,822**	6,433
Work in progress	**149**	773
Inventory held for resale	**89**	1,731
	4,060	8,937

The cost of inventories recognised as an expense during the year and included in cost of sales amounted to £10.0 million (2020 restated: £12.4 million). During the year, no stock (2020: £nil million) was written off. There is no material difference between the balance sheet value of stock and the replacement cost.

22. TRADE AND OTHER RECEIVABLES

	31 March 2021 £'000	31 March 2020 £'000
Trade receivables	**42,439**	53,504
Less: allowance for expected credit losses	**(1,474)**	(2,675)
Net trade receivables	**40,965**	50,829
Net investment in leases	**236**	446
Prepayments	**23,930**	39,030
Contract costs	**9,313**	14,382
Accrued income	**24,769**	39,156
Other receivables	**6,836**	12,903
	106,049	156,746

The directors consider that the carrying amount of trade and other receivables approximates to their fair value. All trade and other receivables are denominated in sterling.

Prepayments, contract assets and accrued income of £5.5 million (2020: £8.9 million) are due in more than one year from the end of the reporting period. All other remaining trade and other receivables are due within one year from the end of the reporting period.

Excluding trade receivables and the Group's net investment in leases, the other classes of receivables disclosed within trade and other receivables do not contain impaired assets.

Movements on the allowance for credit losses of trade receivables are as follows:

	£'000
At 1 April 2019	1,333
Release of provision	(62)
Creation of provision	1,530
Utilisation of provision	(126)
At 31 March 2020	**2,675**
At 1 April 2020	2,675
Release of provision	(7)
Creation of provision	776
Utilisation of provision	(1,245)
Transfer to assets held for distribution to owners	(725)
At 31 March 2021	**1,474**

The creation and release of provisions for expected credit losses have been included within operating costs in the income statement. Credit risk is managed separately for each customer type and, where appropriate, a credit limit is set for the customer based on previous experience of the customer and third party credit ratings. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers.

Notes to the consolidated financial statements (continued)

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

The loss allowance was determined as follows:

	Current £'000	0-30 days past due £'000	31-90 days past due £'000	Greater than 90 days past due £'000	Total £'000
Expected loss rate	1.0%	1.5%	20.7%	26.7%	
Gross carrying amount – trade receivables	26,270	11,708	2,510	1,951	42,439
Loss allowance at 31 March 2021	263	171	520	520	1,474

	Current £'000	0-30 days past due £'000	31-90 days past due £'000	Greater than 90 days past due £'000	Total £'000
Expected loss rate	0.4%	2.0%	4.6%	49.6%	
Gross carrying amount – trade receivables	27,758	17,465	4,187	4,094	53,504
Loss allowance at 31 March 2020	98	353	192	2,032	2,675

Net investment in leases

The leasing portfolio of the Group's customer financing operations comprises financing of products related to its product offerings. The term of the contract stock is approximately 58 months. All contracts carry a fixed interest rate and include renewal options.

At the balance sheet date, the gross investment and present value ("PV") of receivables relating to future minimum lease payments under non-cancellable lease agreements were as follows:

	31 March 2021		31 March 2020	
	Gross investment £'000	**PV of future minimum lease payments £'000**	Gross investment £'000	PV of future minimum lease payments £'000
Expected maturity				
Within 1 year	**175**	**127**	339	234
Between 1 and 5 years	**160**	**136**	315	262
Greater than 5 years	**-**	**-**	-	-
	335	**263**	654	496
Provision	**(27)**	**(27)**	(50)	(50)
	308	**236**	604	446
Analysed as:				
Due in < 1 year	**163**	**115**	315	210
Due in > 1year	**145**	**121**	289	236
	308	**236**	604	446

At 31 March 2021, the gross investment in lease receivables of £0.4 million (2020: £0.7 million) includes unearned interest of £73,000 (2020: £200,000).

Notes to the consolidated financial statements (continued)

23. CASH AND CASH EQUIVALENTS

	31 March 2021 £'000	31 March 2020 £'000
Cash at bank and in hand	**64,129**	44,036

Cash and cash equivalents are held in current accounts, money market accounts and no-notice deposit accounts.

24. TRADE AND OTHER PAYABLES

	31 March 2021 £'000	31 March 2020 £'000
Trade payables	**34,903**	48,135
Accruals	**55,888**	53,596
Deferred income	**45,362**	53,025
Social security and other taxes	**32,202**	18,293
Contingent consideration	**-**	939
Other payables	**6,118**	8,286
	174,473	182,274

25. CONTRACT BALANCES

The following table provides information about receivables, accrued income and deferred income from contracts with customers.

	31 March 2021 £'000	31 March 2020 £'000
Receivables, which are included in 'Trade and other receivables'	**40,965**	50,829
Accrued income	**24,769**	39,156
Deferred income	**(45,480)**	(55,450)

The accrued income relates to the Group's rights to consideration for work completed but not billed at the reporting date. The accrued income is transferred to receivables when the rights become unconditional. The deferred income relates to the advance consideration received from customers for which revenue is recognised once the performance obligations are satisfied.

Significant changes in accrued and deferred income balances

Deferred income of £53.0 million (2020: £59.7 million), which formed part of the deferred income balance at 31 March 2020, was recognised in the income statement in the current year.

There are no significant movements in accrued and deferred income other than as a result of the timing of when revenue is billed.

Notes to the consolidated financial statements (continued)

25. CONTRACT BALANCES (CONTINUED)

Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	Year ended 31 March 2022 £'000	**Year ended 31 March 2023 £'000**
Deferred income at 31 March 2021	**45,362**	**118**

The Group applies the practical expedient in paragraph 121 (b) of IFRS 15 for revenue where the Group has the right to consideration that corresponds directly with the value to the customer.

Contract costs

	31 March 2021 £'000	31 March 2020 £'000
Assets recognised from costs to obtain a contract	**4,568**	5,031
Assets recognised from costs to fulfil a contract	**4,745**	9,351
	9,313	14,382

The Group recognises the incremental costs of obtaining contracts with customers and the costs incurred in fulfilling contracts with customers that are directly associated with the contract as an asset if those costs are expected to be recoverable, and records them in 'Trade and other receivables' in the Consolidated Balance Sheet. Incremental costs of obtaining contracts are those costs that the Group incurs to obtain a contract with a customer that would not have been incurred if the contract had not been obtained.

The assets are amortised over the term of the specific contract they relate to, consistent with the pattern of recognition of the associated revenue. During the year, the amount of amortisation was £3.6m (2020: £4.6m) for costs to obtain a contract and £5.5m (2020: £5.6m) for costs to fulfil a contract. There was no impairment loss in relation to the costs capitalised.

Notes to the consolidated financial statements (continued)

26. BORROWINGS

	Note	31 March 2021 £'000	31 March 2020 £'000
Non-current			
Senior debt	20	**405,964**	794,723
PIK debt	20	**144,964**	303,012
Capitalised PIK interest cost	20	**49,317**	43,540
Lease liabilities	20	**24,765**	32,593
		625,010	1,173,868
Current			
Lease liabilities	20	**11,712**	12,534

The carrying value of the Group's external borrowings, which consist of floating rate and fixed rate borrowings, approximates to fair value. All of the Group's borrowings are denominated in sterling.

a) Debt facilities

On 26 August 2020, the Group drew down an incremental facility of £22.3 million to fund the acquisition of Union Street Technologies Limited. The loan attracts interest at a rate of 7% plus the higher of LIBOR or 1% and is repayable in full on 30 January 2026.

On 18 November 2020, the Group drew down an additional PIK debt of £73.5 million to fund the acquisition of Project Seattle Topco Limited and its subsidiary undertakings. The loan attracted interest at a rate of 8% and was fully repaid on 31 March 2021.

On 31 March 2021 and following the DWS divisional disposal, the Group made debt repayments of £696.7 million on its senior debt, super-senior debt, revolving credit facility and PIK debt (including accrued interest).

Included within the Group's senior debt at 31 March 2021 are a super-senior facility of £86.0 million (repayable on 31 July 2025 and attracting interest at a rate of 3.25% plus the higher of LIBOR or 0%) and a senior facility of £282.7 million (repayable on 31 January 2026 and attracting interest at a rate of 7% plus the higher of LIBOR or 1%), together with two incremental facilities totalling £47.3 million (repayable on 31 January 2026 and attracting interest at a rate of 7% plus the higher of LIBOR or 1%). The undrawn revolving credit facility of £55.0 million, which expires on 31 July 2026 and attracts interest at a rate of 3.25% plus the higher of LIBOR or 0%, was reduced to £40.0 million subsequent to the year end to reflect the smaller size of the Group following the divisional disposal. The PIK facilities incur interest at a rate of 11% plus the higher of LIBOR or 0%, which is payable on expiry of the facilities on 31 January 2027.

The senior facilities are secured by way of a charge over shares in some of the Group's subsidiary undertakings.

Notes to the consolidated financial statements (continued)

26. BORROWINGS (CONTINUED)

b) Changes in liabilities arising from financing activities

Proceeds from borrowings and repayment of borrowings can be reconciled to the cash flow statement as detailed below.

	Senior debt £'000	PIK debt (including interest) £'000	Total £'000
At 1 April 2020	818,226	307,025	**1,125,251**
Debt repaid	(424,526)	(272,148)	**(696,674)**
Debt drawn	22,300	73,500	**95,800**
At 31 March 2021	**416,000**	**108,377**	**524,377**

The movements on leases are as detailed below.

	Continued operations 31 March 2021 £'000	**Discontinued operations 31 March 2021 £'000**	**Total 31 March 2021 £'000**	Continuing operations 31 March 2020 £'000	Discontinued operations 31 March 2020 £'000	Total 31 March 2020 £'000
At 1 April	**43,458**	**1,669**	**45,127**	64,552	1,498	66,050
Drawdown	**9,083**	**534**	**9,617**	6,385	872	7,257
Interest accrued	**2,562**	**100**	**2,662**	3,630	106	3,736
Capital repayment	**(16,013)**	**(761)**	**(16,774)**	(19,194)	(639)	(19,833)
Interest repayment	**(2,562)**	**(100)**	**(2,662)**	(3,630)	(106)	(3,736)
Lease modification – terminated leases	**(51)**	**-**	**(51)**	(9,266)	(62)	(9,328)
Acquired through business combination	**-**	**-**	**-**	981	-	981
Transfer to liabilities held for distribution to owners	**-**	**(1,442)**	**(1,442)**	-	-	-
At 31 March	36,477	-	36,477	43,458	1,669	45,127

Notes to the consolidated financial statements (continued)

27. PROVISIONS

	Other provisions £'000	Loss-making contracts provision £'000	Property provision £'000	Restructuring provision £'000	Total £'000
At 1 April 2019	162	760	10,722	970	**12,614**
Provision creation	-	171	4,703	2,666	**7,540**
Utilised during the year	-	(931)	(2,353)	(970)	**(4,254)**
Provision released	(162)	-	(2,059)	-	**(2,221)**
At 31 March 2020	**-**	**-**	**11,013**	**2,666**	**13,679**

	Loss-making contracts provision £'000	Property provision £'000	Restructuring provision £'000	Total £'000
At 1 April 2020	-	11,013	2,666	**13,679**
Provision creation	3,315	1,892	-	**5,207**
Utilised during the year	(127)	(777)	(1,652)	**(2,556)**
Provision released	-	(300)	(901)	**(1,201)**
Transfer to liabilities held for distribution to owners	-	(479)	-	**(479)**
At 31 March 2021	**3,188**	**11,349**	**113**	**14,650**

	31 March 2021 £'000	31 March 2020 £'000
Non-current	**12,020**	10,108
Current	**2,630**	3,571
	14,650	13,679

The property provisions mainly relate to obligations to reinstate certain properties to their former condition at the end of their leases which run up to June 2030 and provisions for costs related to vacant leased properties which run up to February 2028.

The restructuring provision was management's best estimate in relation to redundancy costs incurred as a result of a group reorganisation. It is expected to be fully utilised in the year ending 31 March 2022.

28. OTHER NON-CURRENT LIABILITIES

	31 March 2021 £'000	31 March 2020 £'000
Accruals	**231**	2,083
Deferred income	**118**	2,425
Other payables	**381**	1,025
	730	5,533

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Notes to the consolidated financial statements (continued)

29. SHARE CAPITAL AND SHARE PREMIUM

The Group has the following issued and fully paid shares:

	Number of shares	Par value £	Share capital £	Share premium £
Ordinary £1 Shares	1	1.00	1	-
Ordinary £0.01 Shares	897,301	0.01	8,973	971,039
Ordinary £0.0001 Shares	297,348,283	0.0001	29,735	163,268,456
At 31 March 2021	**298,245,585**		**38,709**	**164,239,495**

	Number of shares	Par value £	Share capital £	Share premium £
Ordinary Shares	1	1.00	1	-
A Ordinary Shares	335,343	0.01	3,353	332,336
B Ordinary Shares	385,858	0.01	3,859	545,643
C1 Ordinary Shares	50,000	0.01	500	49,500
C2 Ordinary Shares	64,000	0.01	640	43,560
E Ordinary Shares	27,000	0.01	270	-
F1 Ordinary Shares	10,800	0.01	108	-
F2 Ordinary Shares	13,500	0.01	135	-
F3 Ordinary Shares	10,800	0.01	108	-
F4 Ordinary Shares	13,500	0.01	135	-
Preferred 2014 Ordinary Shares	134,063,499	0.0001	13,406	-
Preferred 2019 Ordinary Shares	163,284,784	0.0001	16,328	163,268,456
At 31 March 2020	**298,259,085**		**38,843**	**164,239,495**

On 21 December 2020, the Company cancelled 13,500 F2 Ordinary Shares.

On 8 February 2021 and following the acquisition of Daisy Group Holdings Limited by Daisy Holdco Limited by way of a share-for-share exchange, the Company redesignated its Ordinary Shares as Ordinary £1 Shares, its Preferred 2019 Ordinary Shares and Preferred 2014 Ordinary Shares as Ordinary £0.0001 Shares, and all other of its shares as Ordinary £0.01 Shares. From this date all classes of shares ranked pari passu.

Notes to the consolidated financial statements (continued)

30. DIVIDENDS

An interim dividend of £304.0 million (£1.02 per ordinary share) was declared during the year (2020: £nil) and settled by the extinguishment of a receivable of the same value from the same counterparty. The directors do not recommend payment of a final dividend for the financial year (2020: £nil).

31. CASH GENERATED FROM OPERATIONS

	Notes	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Loss for the year from continuing operations		**(219,160)**	(120,362)
Share of profit from joint venture	12	**(24)**	(32)
Income tax charge/(credit)	13	**2,780**	(10,122)
Finance income	11	**(986)**	(1,250)
Finance costs	11	**124,128**	110,443
Operating (loss)/profit		**(93,262)**	(21,323)
Adjustments for:			
Depreciation charge	17	**21,837**	27,550
Impairment of right-of-use assets	7	**-**	3,440
Impairment of goodwill	15	**90,988**	-
Provision creation (excluding element recognised within right of use assets)		**4,082**	6,919
Contingent consideration released		**(316)**	-
Release of provisions		**(1,201)**	(2,002)
Amortisation of intangible assets	16	**39,394**	46,985
Loss on sale of property, plant and equipment		**12**	859
Lease liability write off and gain on lease modification		**(5)**	(2,036)
Retirement benefit – difference between contributions and amounts charged		**(34)**	(524)
Net provision for credit losses of trade receivables		**508**	1,562
Operating cash flows before movements in working capital		**62,003**	61,430
Decrease in inventories		**3,610**	3,202
(Increase)/decrease in receivables		**(3,942)**	21,072
Increase/(decrease) in payables		**20,140**	(29,820)
Decrease in provisions		**(2,499)**	(4,252)
Cash generated from operations		**79,312**	51,632

Notes to the consolidated financial statements (continued)

32. CONTINGENCIES

The Group has contingent liabilities for legal and other claims arising in the ordinary course of business from which it is not anticipated that any material liabilities will arise.

33. RELATED-PARTY TRANSACTIONS

a) Directors

Matthew Riley, non-executive chairman of the Company, is a director of U-Explore Limited, which was a customer of the Group during the year. He was also a director of Time Out Group plc and the Group had transactions with its subsidiary companies, Time Out England Limited and Time Out Digital Limited, in the prior year.

Riley Enterprises, a private partnership, in which the non-executive chairman is a member, is the landlord for one of the Group's properties in Nelson.

Daisy Updata Communications Limited ("DUCL") is the joint venture between Daisy Communications Ltd. and Updata Infrastructure UK Limited.

Oakley Capital Limited had shareholdings in the Group and had transactions with subsidiary companies in the prior year.

All transactions with the above related parties arise in the ordinary course of the Group's trading business.

The Company had no related-party transactions in the year (2020: none).

Subsidiaries

	Revenue		**Expenses**	
	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000	**Year ended 31 March 2021 £'000**	Year ended 31 March 2020 £'000
DUCL	**3,634**	3,567	**-**	-
Oakley Capital Limited	**-**	899	**-**	-
Riley Enterprises	**3**	12	**547**	542
U-Explore Limited	**90**	73	**-**	60
Time Out England Limited	**-**	83	**-**	-
Time Out Digital Limited	**-**	46	**-**	-
	3,727	4,680	**547**	602

Subsidiaries

	Receivable 31 March 2021 £'000	**Payable 31 March 2021 £'000**	Receivable 31 March 2020 £'000	Payable 31 March 2020 £'000
DUCL	**136**	**-**	139	-
Riley Enterprises	**-**	**-**	-	(6)
	136	**-**	139	(6)

All amounts payable at the year-end listed above were unsecured and no associated guarantees were provided by any member of the Group in relation to these liabilities.

Notes to the consolidated financial statements (continued)

33. RELATED-PARTY TRANSACTIONS (CONTINUED)

b) Key management compensation

The compensation paid or payable to the executive and non-executive directors of the Group for employee services is presented in note 8. Statutory directors of the Group's subsidiary companies are also considered to be key management personnel of the Group. The remuneration of these members of key management personnel, together with the executive and non-executive directors of the Group, during the year was as set out below.

	31 March 2021 £'000	31 March 2020 £'000
Short-term employee benefits	**4,730**	3,815
Post-employment benefits	**275**	291
	5,005	4,106

34. ULTIMATE CONTROLLING PARTY AND SUBSIDIARY COMPANIES

Ultimate controlling party

On 8 February 2021, Daisy Holdco Limited (a company incorporated on 15 December 2020) acquired Daisy Group Holdings Limited by way of a share-for-share exchange and became the ultimate parent company of the Group. The directors of Daisy Group Holdings Limited were therefore appointed directors of Daisy Holdco Limited on that date (some of which also consequently resigned as directors of Daisy Group Holdings Limited). As there is no majority shareholder of Daisy Holdco Limited, the board of directors of that company is considered the ultimate controlling party of the Group.

Subsidiaries

At 31 March 2021 the Group's subsidiaries and joint venture are detailed in the table below. The Company's only direct subsidiary is Daisy Pikco Limited.

Name	**Country of incorporation**	**Nature of business**	**% of ordinary shares held by the Group**
Daisy Communications Ltd.	UK	Telecommunications services	100%
Daisy Corporate Services Trading Limited	UK	Telecommunications services	100%
Spiritel Mobile Limited	UK	Telecommunications services	100%
Voice Mobile Limited	UK	Telecommunications services	100%
Allvotec Limited	UK	IT services	100%
ISG Technology EOOD	Bulgaria	IT services	100%
ISG Technology Limited	UK	IT services	100%
Allvotec Holdings Limited	UK	Non-trading	100%
Allvotec Services Limited	UK	Non-trading	100%
Allvotec Trading Limited	UK	Non-trading	100%
Alternative Networks Limited	UK	Non-trading	100%
Control Circle Limited	UK	Non-trading	100%
Daisy Communications Holdings Limited	UK	Non-trading	100%
Corporate Solutions Group Limited	UK	Non-trading	100%
Coupra Limited	UK	Non-trading	100%
Criffel Micro Business Systems Limited	UK	Non-trading	100%
Daisy Computer Group Limited	UK	Non-trading	100%
Daisy Corporate Services Holdings Limited	UK	Non-trading	100%
Daisy Corporate Services Limited	UK	Non-trading	100%
Daisy Data Centre Solutions Limited	UK	Non-trading	100%
Daisy Digital Media Limited	UK	Non-trading	100%
Daisy Distribution Limited	UK	Non-trading	100%
Daisy Finco Limited	UK	Non-trading	100%
Daisy Group Limited	UK	Non-trading	100%
Daisy Holdings Limited	UK	Non-trading	100%
Daisy Intermediate Holdings Limited	UK	Non-trading	100%
Daisy IT Computer Group (Scotland) Limited	UK	Non-trading	100%
Daisy IT Continuity and Resilience Services Limited	UK	Non-trading	100%
Daisy IT Continuity Consulting Limited	UK	Non-trading	100%
Daisy IT Group Limited	UK	Non-trading	100%

Notes to the consolidated financial statements (continued)

34. ULTIMATE CONTROLLING PARTY AND SUBSIDIARY COMPANIES (CONTINUED)

Name	Country of incorporation	Nature of business	% of ordinary shares held by the Group
Daisy IT Managed Services Limited	UK	Non-trading	100%
Daisy IT Services Limited	UK	Non-trading	100%
Daisy IT Shared Services Limited	UK	Non-trading	100%
Daisy Local Business Limited	UK	Non-trading	100%
Daisy Midco Limited	UK	Non-trading	100%
Daisy Partner Services Limited	UK	Non-trading	100%
Daisy Pikco Limited	UK	Non-trading	100%
Daisy Surgery Line Limited	UK	Non-trading	100%
Daisy Telecoms Limited	UK	Non-trading	100%
Daisy Wholesale Limited	UK	Non-trading	100%
Daisy WiFi Limited	UK	Non-trading	100%
Daisy Worldwide Limited	UK	Non-trading	100%
Digital Wholesale Services Limited	UK	Non-trading	100%
Eurocheck Limited	UK	Non-trading	100%
Faultbasic Limited	UK	Non-trading	100%
Information Systems Group Limited	UK	Non-trading	100%
ISG Technology Holdings Limited	UK	Non-trading	100%
ISG Webb Employee Benefit Trust Limited	UK	Non-trading	100%
Network Disaster Recovery Limited	UK	Non-trading	100%
Nextaroma Limited	UK	Non-trading	100%
9K Group Limited	UK	Non-trading	100%
Phoenix IT Trustees Limited	UK	Non-trading	100%
Phoenix IT Services Limited	UK	Non-trading	100%
Scalable Communications Limited	UK	Non-trading	100%
Servo Computer Services Limited	UK	Non-trading	100%
SpiriTel Limited	UK	Non-trading	100%
Surgery Line Limited	UK	Non-trading	100%
The Net Crowd Limited	UK	Non-trading	100%
Trend Network Services Limited	UK	Non-trading	100%
W.E.L Group Limited	UK	Non-trading	100%
Webb Electronics & Communications Limited	UK	Non-trading	100%
Daisy Updata Communications Limited*	UK	Telecommunication services	50%

* *Joint venture*

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Notes to the consolidated financial statements (continued)

34. ULTIMATE CONTROLLING PARTY AND SUBSIDIARY COMPANIES (CONTINUED)

All the subsidiaries detailed above are unlisted. The registered address for all subsidiaries with the exception of Daisy IT Computer Group (Scotland) Limited, Criffel Micro Business Systems Limited and ISG Technology EOOD, is Lindred House, 20 Lindred Road, Brierfield, Nelson, Lancashire, BB9 5SR.

The registered address for Daisy IT Computer Group (Scotland) Limited and Criffel Micro Business Systems Limited is Campsie House, 4 Lister Way, Hamilton International Technology Park, Blantyre, Glasgow G72 OFT, Scotland.

The registered address for ISG Technology EOOD is Business Park Sofia, Building 12. Ent. A. Fl. 2, Sofia 1766, Bulgaria.

All companies have been included in the consolidation, but the results of Daisy Updata Communications Limited have been incorporated into the Group results using the equity method of accounting. See note 18 for further details.

Refer to note C5 of the Company financial statements for details of the Company's holdings in subsidiaries.

35. POST BALANCE SHEET EVENTS

On 13 August 2021, Daisy Communications Holdings Limited (one of the Group's subsidiary companies) acquired the entire share capital of Premier Choice Telecom Limited and Premier Choice Rentals Limited for a combined cash consideration of £10.5 million.

Company balance sheet

	Note	31 March 2021 £'000	31 March 2020 £'000
Fixed assets			
Tangible assets	C4	**129**	388
Investments	C5	**254,573**	522,665
		254,702	523,053
Current assets			
Debtors – amounts falling due within one year	C6	**187**	189
Creditors – amounts falling due within one year	C7	**(5,294)**	(5,119)
Net current liabilities		**(5,107)**	(4,930)
Total assets less current liabilities		**249,595**	518,123
Creditors – amounts falling due after more than one year	C8	**-**	(111)
Net assets		**249,595**	518,012
Capital and reserves			
Called up share capital	C9	**39**	39
Share premium account	C9	**164,239**	164,239
Capital redemption reserve		**34**	34
Profit and loss account brought forward		**353,700**	346,553
Profit for the year		**35,584**	27,147
Other movements in retained earnings		**(304,001)**	(20,000)
Profit and loss account carried forward		**85,283**	353,700
Total shareholders' funds		**249,595**	518,012

The notes on pages 86 to 91 are an integral part of these Company financial statements.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company income statement. The profit for the Company for the year was £35.6 million (2020: £27.1 million).

The Company financial statements on pages 84 to 91 were approved by the directors and authorised for issue on 8 October 2021, and signed on their behalf by:

Neil Thompson
Chief Financial Officer

Company registration number: 09162741

Company statement of changes in equity

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
	Note C9	**Note C9**			
At 1 April 2019	39	164,239	34	346,553	**510,865**
Profit for the year and total comprehensive income	-	-	-	27,147	**27,147**
Transactions with owners in their capacity as owners:					
Share issues	-	-	-	-	-
Share redemptions and cancellations	-	-	-	(20,000)	**(20,000)**
At 31 March 2020	**39**	**164,239**	**34**	**353,700**	**518,012**
At 1 April 2020	39	164,239	34	353,700	**518,012**
Profit for the year and total comprehensive income	-	-	-	35,584	**35,584**
Transactions with owners in their capacity as owners:					
Dividends	-	-	-	(304,001)	**(304,001)**
At 31 March 2021	**39**	**164,239**	**34**	**85,283**	**249,595**

The notes on pages 86 to 91 are an integral part of these Company financial statements.

Notes to the Company financial statements

C1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C1.1 Basis of preparation

The Company is a private company limited by shares, incorporated and domiciled in the UK, and registered in England and Wales. The functional currency of the Company is considered to be pounds sterling because that is the operational currency of the primary economic environment in which the Company operates. The address of its registered office is 20 Lindred House, Lindred Road, Brierfield, Nelson, BB9 5SR.

The Company financial statements have been prepared in accordance with the Companies Act 2006, under historical cost convention, and are in accordance with applicable law and Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. Unless otherwise stated, all policies have been applied consistently throughout the current year and prior year.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company income statement. The profit for the Company for the year was £35.6 million (2020: profit of £27.1 million).

The Company is a qualifying entity as defined under FRS 102 and therefore taken exemptions available to it in the preparation of its financial statements. Exemptions have been taken in relation to financial instruments, cash flow statement, intra-group transactions and remuneration of key management personnel. The cash flow of the Company is included within the consolidated cash flow statement of Daisy Group Holdings Limited.

The directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future given the projected cash flows of its subsidiary companies and therefore the financial statements have been prepared on a going concern basis. See page 11 for further details.

C1.2 Taxation

The charge for taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the taxable profits/(losses) and results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods being different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

C1.3 Other intangible assets

Intangible assets with finite useful lives are initially measured at either cost or fair value and amortised on a straight-line basis over their useful economic lives, which are reviewed on an annual basis. The residual values of intangible assets are assumed to be nil.

The estimated useful economic lives of intangible assets are as follows:
Software licenses: 2 to 3 years

C1.4 Fixed assets

Property, plant and equipment are included in the balance sheet at historical cost, less accumulated depreciation and any impairment losses. Historical cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged on a straight-line basis over the estimated useful life of the asset. On disposal of property, plant and equipment, the difference between the sale proceeds and the net book value at the date of disposal is recorded in the income statement.

The lives assigned to principal categories of assets are as follows:
Computer equipment: 3 to 5 years

Residual values, remaining useful economic lives and depreciation methods are reviewed annually and adjusted prospectively if appropriate.

Notes to the Company financial statements (continued)

C1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C1.5 Fixed asset investments

Investments in subsidiary undertakings held as fixed assets are stated at cost less provision for any impairment. In the opinion of the directors the fair values of such investments are not less than shown at the balance sheet date.

C1.6 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated 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.

C1.7 Share capital

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

Where the Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

C1.8 Critical accounting judgements and key sources of estimation uncertainty

The Company and Group's critical accounting judgements and key sources of estimation uncertainty are disclosed in note 3 of the consolidated financial statements.

C1.9 Financial instruments and risk management

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

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

The Company has applied Sections 11 and 12 of FRS 102 in respect of recognition and measurement of financial instruments.

The Company and Group's policy in respect of risk management are disclosed in note 20 of the consolidated financial statements.

C1.10 Dividends

Final dividends are recognised as a liability in the year in which they are declared and approved by the Company's shareholders at the Annual General Meeting. Interim dividends are recognised when they are paid.

C2. EMPLOYEES' COSTS AND DIRECTORS' REMUNERATION

The Company has no employees in the current or prior year.

The emoluments of the Company's directors have been recharged to its trading subsidiaries in both the current and prior year. See note 8 of the Group financial statements for further details.

For more information on pension commitments, see note 9 of the Group financial statements.

C3. AUDITORS' REMUNERATION

Auditors' remuneration, as detailed in note 10 of the Group financial statements, is borne by the Company's trading subsidiaries in both the current and prior year.

Notes to the Company financial statements (continued)

C4. TANGIBLE ASSETS

	Computer equipment £'000
Cost	
At 1 April 2020 and 31 March 2021	**2,478**
Accumulated depreciation	
At 1 April 2019	1,705
Charge in the year	385
At 31 March 2020	**2,090**
At 1 April 2020	2,090
Charge in the year	259
At 31 March 2021	**2,349**
Net book amount	
At 31 March 2020	**388**
At 31 March 2021	**129**

Notes to the Company financial statements (continued)

C5. FIXED ASSET INVESTMENTS

	Subsidiary undertakings £'000
Cost	
At 1 April 2019	256,145
Additions	266,520
At 31 March 2020	**522,665**
At 31 March 2021	**522,665**
Accumulated impairment	
At 1 April 2019 and 31 March 2020	-
At 1 April 2020	-
Charge for the year	(268,092)
At 31 March 2021	(268,092)
Net book amount	
At 1 April 2019	**256,145**
At 31 March 2020	**522,665**
At 31 March 2021	**254,573**

On 8 December 2014 the Company exchanged its shares for 138,456,734 ordinary shares of £0.02 each in the capital of Daisy Holdings Limited (formerly Daisy Group Limited, "DGL").

Following the share exchange, on 8 December 2014, the Company exchanged the shares in DGL for 1 ordinary share in Daisy Pikco Limited.

On 7 June 2019 the Company subscribed to 1 ordinary share in Daisy Pikco Limited for £266.5 million in consideration for the release and discharge of balances owed by Daisy Pikco Limited.

The Company's direct subsidiary undertaking, Daisy Pikco Limited, declared a dividend of £304.0 million to the Company in the year as part of the steps relating to the DWS transaction, which was settled through the intercompany accounts. This reduced the net assets of Daisy Pikco Limited accordingly, which, together with the impact of the Covid-19 pandemic on the Allvotec division as described in note 15, gave rise to an impairment of £268.1 million in the Company's investment in Daisy Pikco Limited.

At 31 March 2021 the Company's direct investment in subsidiary undertaking was as follows:

Name	Percentage of issued share capital held	Principal business activity
Daisy Pikco Limited	100%	Holding company

The directors believe that the carrying value of the investment is supported by the underlying net assets and the on-going profitability of the business and its subsidiary undertakings.

C6. DEBTORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2021 £'000	31 March 2020 £'000
Deferred tax asset	**146**	178
Other receivables	**23**	11
Prepayments and accrued income	**18**	-
	187	189

The deferred tax asset relates to depreciation in excess of capital allowances.

Notes to the Company financial statements (continued)

C7. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2021 £'000	31 March 2020 £'000
Leases	111	212
Amounts owed to group undertakings	5,183	4,907
	5,294	5,119

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

C8. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 March 2021 £'000	31 March 2020 £'000
Leases	-	111

C9. SHARE CAPITAL AND SHARE PREMIUM

The Company has the following issued and fully paid shares:

	Number of shares	Par value £	Share capital £	Share premium £
Ordinary £1 Shares	1	1.00	1	-
Ordinary £0.01 Shares	897,301	0.01	8,973	971,039
Ordinary £0.0001 Shares	297,348,283	0.0001	29,735	163,268,456
At 31 March 2021	**298,245,585**		**38,709**	**164,239,495**

	Number of shares	Par value £	Share capital £	Share premium £
Ordinary Shares	1	1.00	1	-
A Ordinary Shares	335,343	0.01	3,353	332,336
B Ordinary Shares	385,858	0.01	3,859	545,643
C1 Ordinary Shares	50,000	0.01	500	49,500
C2 Ordinary Shares	64,000	0.01	640	43,560
E Ordinary Shares	27,000	0.01	270	-
F1 Ordinary Shares	10,800	0.01	108	-
F2 Ordinary Shares	13,500	0.01	135	-
F3 Ordinary Shares	10,800	0.01	108	-
F4 Ordinary Shares	13,500	0.01	135	-
Preferred 2014 Ordinary Shares	134,063,499	0.0001	13,406	-
Preferred 2019 Ordinary Shares	163,284,784	0.0001	16,328	163,268,456
At 31 March 2020	**298,259,085**		**38,843**	**164,239,495**

On 21 December 2020, the Company cancelled 13,500 F2 Ordinary Shares.

On 8 February 2021 and following the acquisition of Daisy Group Holdings Limited by Daisy Holdco Limited by way of a share-for-share exchange, the Company redesignated its Ordinary Shares as Ordinary £1 Shares, its Preferred 2019 Ordinary Shares and Preferred 2014 Ordinary Shares as Ordinary £0.0001 Shares, and all other of its shares as Ordinary £0.01 Shares. From this date all classes of shares ranked pari passu.

Notes to the Company financial statements (continued)

C10. DIVIDENDS

	31 March 2021 £'000	31 March 2020 £'000
Equity - ordinary		
Interim dividend of £1.02 per ordinary share (2020: £nil)	**304,001**	-

C11. RELATED-PARTY TRANSACTIONS

Details of related party transactions with the Company are provided in note 33 of the Group financial statements. The Company has undertaken transactions with wholly-owned fellow members of the Daisy Group Holdings Limited group. Such transactions are exempt from disclosure under FRS 102.

C12. POST BALANCE SHEET EVENTS

Details of the post balance sheet events affecting the Company have been included in note 35 of the Group financial statements.

Advisors

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