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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 Holdco Limited (“the Company”) is a holding company, incorporated on 15 December 2020. The Company and its subsidiary companies (together “the Group” or “Daisy”) provide Communications, Cloud and IT services directly to the SME and mid-market business sectors. The Group provides a range of solutions and services, including mobility, voice, cloud and hosting, connectivity and WiFi, cyber security, operational resilience, maintenance and support, and professional and managed services.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of Daisy Holdco Limited (“the Company”) and enterprises controlled by the Company (its “subsidiaries”).

Daisy Holdco Limited was incorporated on 15 December 2020 and subsequently acquired Daisy Group Holdings Limited and its subsidiary undertakings on 8 February 2021 by way of a share-for-share exchange, thereby becoming the new ultimate parent company of the Group. As this was a business combination under common control, capital reorganisation accounting has been applied using the retrospective presentation method. As such, assets and liabilities of the acquired entities are stated at predecessor carrying values with no new goodwill arising. All entities’ results and balance sheets are included in the consolidation from the date the entity joined the Group (either headed by Daisy Group Holdings Limited or Daisy Holdco Limited). As such, references to “the Group” in this annual report and consolidated financial statements relate to both the Group currently headed by Daisy Holdco Limited and the Group previously headed by Daisy Group Holdings Limited.

STRATEGY

The Group is an end-to-end business technology and communications service provider, delivering valuable, digital solutions and services to customers. The Group operates through two trading divisions, the Daisy Corporate Services (‘DCS’) division and the Small to Medium Enterprises (‘SME’) division. The Group’s strategy is to be the UK’s Go-To IT and communications provider, helping customers to be more effective and successful. Depending on the type and size of the business, customers will be contracted either through the SME or DCS division, which allows the Group to deliver simple packaged products to complex infrastructures, the Group ensures data is kept safe, employees are productive and operations are always running. The Group’s aim is to have products and services that are easy to buy, sell and serve through a single, differentiated user experience and to build strong, long-lasting, trusted relationships.

BUSINESS REVIEW

The Group has delivered significant Adjusted EBITDA growth in the year to £91.5 million (2022: £68.1 million). In addition to organic growth in the DCS division, the Group has made some key strategic acquisitions, including Aston (XLN) Topco Limited and its subsidiary undertakings (together ‘XLN’) in March 2022 and Premier Choice Telecom Limited and Premier Choice Rentals Limited (together ‘Premier Choice’) in August 2021.

These two FY22 acquisitions in the SME division were complemented in the year by the acquisition of Communicate Better Holdings Limited and its subsidiary undertakings (together ‘Communicate Better’) on 26 May 2022 for consideration of £12.7 million on a debt-free basis, including cash of £0.6 million, making the SME division the largest independent direct SME telecoms business in the UK. While focusing on the integration of these recently acquired businesses in the year, the SME division successfully delivered Adjusted EBITDA of £53.2 million before allocation of central costs (2022: £31.2 million before allocation of central income) on external revenues of £209.0 million (2022: £133.6 million).

The DCS division successfully delivered organic Adjusted EBITDA growth of 13% in the year to £40.3 million before allocation of central costs (2022: £35.7 million before allocation of central income). This was driven by continued strong performance in the Managed Service Provider (‘MSP’) part of this division in the year with particular traction gained in the Managed Services hospitality sector. In the Operational Resilience (‘OR’) side of the business, the ongoing consolidation in physical Business Continuity due to hybrid working was largely mitigated by the deal struck in the year to transition workplace recovery services to former Sungard customers, which strengthened DCS’ position as the largest UK provider of business continuity services. A further deal was struck on 22 September 2022 with Asanti DataCentres Limited (‘Asanti’) for the sale and novation of certain of the freehold and leasehold data centre sites in DCS, which has enabled a move away from physical infrastructure to focus on service provision. Further focus also continues to be directed to the wider resilience services and cybersecurity offerings of OR with the latter significantly enhanced by the acquisition of cyber specialist ECSC Group plc subsequent to the year end on 22 June 2023 for consideration of £6.3 million on a debt-free basis.

Strategic report

BUSINESS REVIEW (CONTINUED)

Following the decision taken in the prior year to close the loss-making hardware break-fix business in the Allvotec/ISG division, the board took the decision to close the remainder of this division in the year, with all trade in this division having ceased prior to the year end. The financial performance and cash flows relating to this division are therefore presented as discontinued operations in both the current and prior year in these financial statements, together with the associated goodwill impairment charges relating to the division.

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 sale of the DWS division in 2021.

The results below represent the continuing operations of the Group:

	2023	2022
Group	£m	£m
Revenue	417.2	329.0
Gross profit	212.0	164.5
Gross margin %	50.8%	50.0%
Adjusted EBITDA*	91.5	68.1
Adjusted EBITDA %	21.9%	20.7%
Operating profit	48.5	15.3
Loss after tax	(48.9)	(33.9)
Operating free cash flow**	68.6	58.3
Cash generated from operations	59.6	41.6

* Adjusted EBITDA is the operating profit 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 28).

	2023	2022
Group	£m	£m
Adjusted EBITDA	91.5	68.1
Amortisation of intangible assets	(24.4)	(24.5)
Depreciation	(17.1)	(19.6)
Exceptional operating costs – costs directly relating to acquisitions	(0.5)	(1.9)
Exceptional operating costs – other	(1.0)	(6.8)
Operating profit	48.5	15.3

The operating profit of £48.5 million (2022: £15.3 million) incorporates a non-cash amortisation charge of £24.4 million (2022: £24.5 million), which predominantly relates to the customer list assets acquired following the acquisitions of XLN in 2022 and Alternative Networks Limited in 2016.

The Group had net liabilities of £332.7 million (2022: £232.4 million) and net current liabilities at 31 March 2023 of £263.2 million (2022: £249.5 million), which includes deferred income of £35.6 million (2022: £37.2 million) and the PIK facility together with related accrued interest of £244.9 million (2022: £215.0 million) that was used to fund the acquisition of the XLN Group. As at the year end, this PIK facility was a rolling facility and therefore classified as current borrowings. Subsequent to the year end on 30 June 2023, this facility was refinanced into long-term debt and moved out of current liabilities into non-current liabilities from that point.

The Group generated cash from operations of £59.6 million for the year (2022: £41.6 million). The Group's loss after tax was £98.7 million (2022: loss after tax of £57.8 million) after a loss from discontinued operations of £49.8 million (2022: loss from discontinued operations of £23.9 million), net exceptional operating costs of £1.5 million (2022: £8.7 million) and net finance costs of £103.6 million (2022: £56.1 million), following the increase in the Group's debt which was used to fund the acquisition of XLN in March 2022. 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.

Strategic report

DIVISIONAL REPORTING

Following the decision taken by the directors in the prior year to exit certain loss-making parts of the Allvotec business, the remaining parts of the Allvotec/ISG division were then also exited in the current year. As such, the results of the whole Allvotec/ISG division have been disclosed as discontinued operations in both the current and prior year (see note 14 for further details) and have therefore been excluded from the divisional analysis below with comparatives restated.

Small to Medium Enterprises (“SME”)

Providing packaged products typically to customers with up to 250 employees.

Corporate (“DCS”)

Providing a full range of IT solutions and managed services typically to customers with between 250 and 2,000 employees.

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, IoT, airtime and data provision via service provider and managed contract arrangements and white-label offering from O2 and Vodafone
IT Services	operational resilience, maintenance, engineering, equipment, hardware, data science, software, cyber security, professional and managed services and training and adoption services
Cloud	hosting, colocation, subscriptions, disaster recovery, data protection and management and productivity services

Revenue by product

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

Product	2023		2022	
	£m	% of total	£m	% of total
Voice	15.6	4%	18.5	6%
Connectivity	156.5	38%	98.7	30%
Mobility	80.8	19%	74.0	22%
IT services	120.7	29%	102.1	31%
Cloud	43.6	10%	35.7	11%
	417.2	100%	329.0	100%

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 4% of Group revenues (2022: 6%), although this was offset by growth in Connectivity as landline customers continued to make the switch to fibre. The Group’s other revenue streams performed broadly in line with the prior year. The Group continues to focus on cross-selling in order to enhance product penetration across the customer base with a particular focus on key areas such as operational resilience and cybersecurity.

The financial performance of our divisions is summarised in the following tables. The SME division grew Adjusted EBITDA from £31.7 million to £52.2 million following the acquisitions of XLN and Premier Choice in the prior year and Communicate Better in May 2022. The Corporate division delivered Adjusted EBITDA growth of 8% to £39.3 million following continued strong growth in MSP and the impact of the Sungard deal, which helped to mitigate some of the ongoing consolidation in physical Business Continuity due to hybrid working in OR.

Strategic report

DIVISIONAL REPORTING (CONTINUED)

All Adjusted EBITDA figures below are shown after the allocation of Central (costs)/income (see note 4 for further details).

SME

2023 (£m)	Voice	Connectivity	Mobility	IT services	Cloud	Total
Revenue	9.3	115.5	54.9	16.4	12.9	209.0
Gross profit	6.8	59.9	23.6	8.5	5.6	104.4
Gross margin	73.1%	51.9%	43.0%	51.8%	43.4%	50.0%
Adjusted EBITDA						52.2
Adjusted EBITDA %						25.0%

2022 (£m)	Voice	Connectivity	Mobility	IT services	Cloud	Total
Revenue	10.8	56.5	48.8	9.3	8.2	133.6
Gross profit	7.8	24.8	20.4	5.9	5.7	64.6
Gross margin	72.2%	43.9%	41.8%	63.4%	69.5%	48.4%
Adjusted EBITDA						31.7
Adjusted EBITDA %						23.7%

Corporate

2023 (£m)	Voice	Connectivity	Mobility	IT services	Cloud	Total
Revenue	6.3	41.0	25.9	104.3	30.7	208.2
Gross profit	4.4	16.3	13.8	54.6	18.5	107.6
Gross margin	69.8%	39.8%	53.3%	52.3%	60.3%	51.7%
Adjusted EBITDA						39.3
Adjusted EBITDA %						18.9%

2022 (£m)	Voice	Connectivity	Mobility	IT services	Cloud	Total
Revenue	7.7	42.2	25.1	92.8	27.6	195.4
Gross profit	5.1	18.1	11.7	50.9	14.1	99.9
Gross margin	66.2%	42.9%	46.6%	54.8%	51.1%	51.1%
Adjusted EBITDA						36.4
Adjusted EBITDA %						18.6%

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	2023	2022
	£m	£m
Revenue	417.2	329.0
Gross profit	212.0	164.5
Gross margin %	50.8%	50.0%
Adjusted EBITDA	91.5	68.1
Adjusted EBITDA %	21.9%	20.7%
Operating free cash flow	68.6	58.3
Net senior debt	461.9	416.6

Strategic report

KEY PERFORMANCE INDICATORS (KPIs) (CONTINUED)

The growth in the Group's Adjusted EBITDA to £91.5 million was in line with expectations following the significant acquisition of XLN in March 2022 and the continuing strong performance of the MSP part of the Corporate division. Net senior debt (which excludes PIK facilities, which are not part of this financial KPI) increased to £461.9 million (2022: £416.6 million) mainly due to the Communicate Better acquisition, lease renewals (and the impact of acquisitions on lease liabilities) and the net cash outflow for the year, which itself was driven principally by the Allvotec/ISG divisional closure costs and the cash moved to escrow ahead of the ECSC acquisition that completed subsequent to the year end.

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	
	2023 No.	2022 No.	2023 £'000	2022 £'000
SME	185,042	91,612	1	2
Corporate	1,936	2,076	107	94

The increase in average customer numbers is driven by the full year impact of the XLN customer base. As this is primarily a micro-SME customer base, it has also had the effect of slightly reducing the average revenue per customer figures across the combined SME division.

OUTLOOK AND OPPORTUNITIES FOR FURTHER GROWTH

The markets in which the Daisy Group operates continue to provide strong opportunities for growth and delivery of shareholder value, both through 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 a leading independent provider of IT services and unified communications to the UK's SME and mid-market business segment, enhanced further by the post year end strategic acquisition by DCS of cyber specialist ECSC Group plc.

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.

FUNDING

On 20 June 2022, the Group drew down £12.5 million on its incremental facility within its senior debt in order to fund the acquisition of Communicate Better Holdings Limited and its subsidiary undertakings.

Subsequent to the year end on 30 June 2023, the Group drew down a further £50.0 million on its incremental facility within senior debt, which was used to repay part of the £215.0 million PIK facility drawn in March 2022 to fund the XLN acquisition.

As at 31 March 2023, the Group's net senior debt comprised the following:

	31 March 2023 £m	31 March 2022 £m
Senior debt	342.5	330.0
Super-senior debt	86.0	86.0
Revolving credit facility	26.5	8.0
Leases and similar items	39.9	27.8
Gross senior debt	494.9	451.8
Cash	(33.0)	(35.2)
Net senior debt	461.9	416.6

In addition to the above, the Group holds PIK debt at 31 March 2023 including accrued interest of £492.6 million (2022: £432.1 million).

Strategic report

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 cost inflation and continued general economic uncertainty, potentially leading 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. Rising interest rates would also adversely impact the Group's cash flows due to the cash interest paid on the Group's debt. These risks are mitigated through regular review of the Group's treasury facilities and customer credit ratings with a significant proportion of the Group's customer base paying by direct debit.

Strategic report

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 and EE. 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.

• Climate change

The impact of climate change on the world we live in may include changes in pricing, availability of energy and potential future changes in legislation, which could impact the Group's provision of data centres in particular. The Group mitigates this risk by promoting a Net Zero carbon strategy and encouraging suppliers to do the same.

Strategic report

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, through balanced investment strategies, designed to avoid a material worsening of the current surplus or deficit in each fund, and through ad hoc liability reduction exercises such as the Flexible Retirement Option and Enhanced Transfer Value exercises carried out on the ICM scheme in the prior year. 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 Allvotec section of the Mercer Master Trust.

Customer feedback is sought on a regular basis, whether on a transactional basis as part of the customer experience follow up after most interactions 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, our STEM ambassador programme, student placements, internships, a graduate programme and well-established apprenticeship programmes, through which our apprentices have flourished and become full-time employees. 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. The Group produces food for a local soup kitchen and volunteers to help serve the food. Our employees are also encouraged to do their own volunteer work through our 'Helping Hands' initiative, which provides each staff member with an additional three days' paid leave to do voluntary work.

Strategic report

SECTION 172 STATEMENT (CONTINUED)

Existing community relationships were maintained in the year, such as XLN's Presidential-level membership of the Conservation Circle of the Rainforest Trust UK and SME's support for Pendleside Hospice, local foodbank initiatives and children's charities through regular fund-raising activities while new partnerships were also struck up by DCS in the year with the following projects: Chapter One – supporting the transformation of children's futures, with one-to-one reading support delivered by Daisy employees; The Girl Guiding – sponsorship and enablement of Recycling superheroes in Rainbows, educating the seven pillars of circularity to help badge achievements; The Greggs Foundation – addressing issues of poverty and inequality; GroundBreaker - supporting a science lab build in Honduras; and ensuring food is at the heart of the local communities which surround our North-West offices, providing essential items for Breakfast Clubs.

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, company strategy drop-in sessions and meetings with managers. The Corporate division has a Wellbeing and Engagement manager to encourage improved engagement and enhanced mental support, while in the SME division a number of Mental Health First Aiders continued to support individuals and signpost wellbeing strategies for employees via monthly updates.

The key decisions taken by the Group board in the year included the exit of the remaining parts of the Allvotec/ISG division (focusing on minimising any disruption from this for customers and partners, while offering support to employees), together with the divisional transactional activity, being the acquisition of Communicate Better in the SME division and the Sungard and Asanti transactions in the Corporate division. In both cases the decisions made were taken in order to best position the Group to support its customers and build a platform for long-term growth and success.

This report was approved by order of the board on 4 August 2023 and signed on its behalf by:



Matthew Riley
Chairman

Directors' report

The directors present their report and the Group's audited financial statements for the year ended 31 March 2023.

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

GOING CONCERN

On 20 June 2022, the Group drew down £12.5 million on its incremental facility within its senior debt in order to fund the acquisition of Communicate Better.

Subsequent to the year end on 30 June 2023, the Group drew down a further £50.0 million on its incremental facility within senior debt, which was used to repay part of the £215.0 million PIK facility drawn in March 2022 to fund the XLN acquisition. The remainder of this PIK facility (including accrued interest), which had been rolling on a monthly basis, was converted into long-term debt at the same date with a new maturity date of 31 January 2027.

The Group had cash balances at the year-end of £33.0 million (2022: £35.2 million). Net senior debt at the year end was £461.9 million (2022: £416.6 million) with an unutilised revolving credit facility of £13.5 million at 31 March 2023 (2022: £32.0 million). 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 and the revolving credit facility are 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 £439.0 million (2022: £358.7 million) before accrued interest which terminates on 31 January 2027.

More details of these facilities can be found in note 27 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, which assumes no growth beyond the FY23 exit 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 concern 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 24. The directors do not recommend payment of a dividend for the financial year (2022: nil).

OVERSEAS BRANCHES

The Group has a subsidiary, ISG Technology EOOD, which is registered in Bulgaria. The operations of this subsidiary, along with the rest of the Allvotec/ISG division of the Group, were discontinued in the year. Subsequent to the year end on 22 June 2023, as part of the acquisition of ECSC Group plc and its subsidiaries, the Group acquired a subsidiary, ECSC Australia Pty Limited, which is registered in Australia.

Directors' report (continued)

POST BALANCE SHEET EVENTS

Subsequent to the year end on 22 June 2023, Daisy Corporate Services Trading Limited (one of the Group's subsidiary companies) acquired ECSC Group PLC and its subsidiary undertakings (together 'ECSC') for consideration of £6.3 million on a debt free basis, which was funded from cash reserves.

DIRECTORS

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

Steve Smith (resigned 30 March 2023)
David McGlennon
Matthew Riley
Michael Dennis
William Grout
Neil Thompson (resigned 30 March 2023)

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 Group remains supportive of the employment and advancement of disabled people and provides appropriate opportunities for their training, career development and promotion. Applications for employment by disabled persons are always fully considered. 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.

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.

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 in each division, which is led with the division's respective Head of Compliance.

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.	<p>The Group operates a large property estate and vehicle fleet.</p> <p>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.</p> <p>Whenever practicable new plant and vehicles are selected to maximise energy efficiency.</p>	<p>Significant volumes of products pass through the Group's businesses each year, generating operational, product and packaging waste.</p> <p>The Group aims to minimise the waste created by its operations with a particular focus on reducing waste plastics and packaging.</p>

Carbon data

	Carbon Dioxide Equivalent (CO ₂ e) Tonnes		Kilowatt hours (kWh)	
	2023	2022	2023	2022
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	835	682	3,422,716	2,919,618
Scope 2				
Indirect emissions from use of electricity	3,150	2,992	14,874,699	14,042,975
Intensity				
Tonnes of CO ₂ from scope 1 and 2 sources per £m of turnover	10	11		

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 above figures have been rebaselined to reflect a number of substantial changes to the Group's reported energy use and emissions in the year, namely the sale of certain of the Group's major energy-consuming data centre assets in the year, the cessation of trade in the Allvotec division and the significant acquisition of XLN in the SME division at the end of the prior year. The above figures have therefore been adjusted to exclude emissions relating to exited data centres and Allvotec in both periods, while including full year data for XLN in both periods.

Aside from the significant reduction in Group energy consumption from the data centre sales and cessation of trade in Allvotec, the rebaselined carbon data above shows a small increase from the previous year, which reflects a continuation from the previous year of a return to pre-Covid working patterns.

Carbon emissions objectives – FY24 and beyond

The Group is enacting a focused Net-Zero carbon plan and strategy, having engaged experts to conduct energy audits of each of the main sites and completing a comprehensive emissions assessment of all three Scopes, which has been externally audited.

The Group's LIAISE™ scheme has been successfully trademarked, which is a service range that lowers climate, wider environmental and social impacts. The DCS division has also become the first telecoms company to complete a TCFD/TNFD combined study.

Directors' report (continued)

Carbon emissions objectives – FY24 and beyond (continued)

Internally, an energy efficiency group has been formed, while new policies for temperature control of building environments have been established according to their use. An electric car scheme has also been introduced, offering staff access to electric cars or plug-in hybrid vehicles.

CHARITABLE AND POLITICAL DONATIONS

The Group made charitable donations in the year of £60,000 to Girlguiding and £15,000 to Greggs Foundation (2022: £26,000 to the Prince's Trust). No political donations were made during the year (2022: £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 21 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 13 October 2022. 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 acquisition of Communicate Better in the year and of Premier Choice and the XLN Group in the previous year).

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

The strategies and values of each division 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)

Our key values and behaviours (continued)

SME's core values are: *Passion* – passion in all we do; *Adaptability* – adaptability is our strength; *Character* – our character comes from within; and *Team* – we are all one team.

Corporate's core values are: *Be Ambitious* – is it innovative? Is it forward-thinking, not just more of the same? Is it going to make us the best at what we do and be an achievement to be proud of when we have done it? Let's be ambitious! *Develop our People* – our people are the business. Life is much more interesting when we are learning new skills or experiences. When people are learning, it brings new perspectives and new ideas; it helps people improve themselves and advance their careers. Let's develop our people! *Delight our Customers* – when we do anything for a customer, provide a solution or sort a problem out, we want to know what they think and we want them to be delighted with us. That is what we aim for and, if we achieve it, we will build long-term loyalty and they will grow with us. Let's delight our customers!

Those charged with governance

During the year and up to 30 March 2023, the Group board consisted of three executive directors, two non-executive directors and a Chairman, all of whom attended all Group board meetings during the year. From 30 March 2023, Steve Smith resigned his position as Group Corporate Development Director to take up the position of Chairman of the SME divisional holding company board. On the same date, Neil Thompson resigned as a Group director to take up the position of Chief Executive Officer of the Corporate division. These director changes represent a continuation of the Group's strategy to empower the divisions to drive their own strategic direction, while retaining an appropriate level of oversight on the Group board. The backgrounds and experience of the remaining Group 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.

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 Grouit, Non-Executive Director – William is a Managing Director 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.

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 or other large organisations 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 frequently 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 certain of 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)

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 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 ensures the Group's board's strategic intent is achieved, manages investor and funder relations on behalf of the divisions, 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 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 frequent basis, submitting a divisional board pack in advance, which typically 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 certain of the Group's directors, oversees the Group's identification of and response to risk, which is managed in each division. The Group's internal auditors are Grant Thornton UK LLP ('Grant Thornton'), who report directly to the Audit Committee. During the year, Grant Thornton commenced new reviews of IT General Controls and contract management at a divisional level. 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 4 August 2023 and signed on its behalf by:



Matthew Riley
Chairman

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards 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).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards 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 also 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.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This statement was approved by order of the board on 4 August 2023.



Matthew Riley
Chairman

Independent auditors' report to the members of Daisy Holdco Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Daisy Holdco 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 2023 and of the Group's and Company's loss and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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 2023; the Consolidated and Company income statements and statements of comprehensive income, the Consolidated and Company statements of changes in equity and the Consolidated cash flow statement 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 members' 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 members 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 members 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.

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

Reporting on other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on 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 2023 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 members for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the members 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 members 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 members 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 members 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.

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

Responsibilities for the financial statements and the audit (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

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 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 period
- 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

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 or 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.

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

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 obtained 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.



Jonathan Studholme (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
7 August 2023

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Consolidated income statement and statement of comprehensive income

	Note	Year ended 31 March 2023 £'000	Restated * Year ended 31 March 2022 £'000
Revenue	4	417,175	329,045
Cost of sales		(205,161)	(164,497)
Gross profit	4	212,014	164,548
Operating costs		(163,549)	(149,217)
Operating profit	6	48,465	15,331
Adjusted EBITDA	4	91,468	68,069
Amortisation of intangible assets	6,16	(24,411)	(24,484)
Depreciation	6,17	(17,133)	(19,577)
Exceptional operating costs – costs directly relating to acquisitions	7	(523)	(1,871)
Net exceptional operating costs – other	7	(936)	(6,806)
Operating profit	4	48,465	15,331
Finance income	11	352	4,246
Finance costs	11	(103,940)	(60,388)
Net finance expense		(103,588)	(56,142)
Share of profit / (loss) from joint venture	12	4	(12)
Loss before tax		(55,119)	(40,823)
Income tax credit	13	6,223	6,960
Loss from continuing operations		(48,896)	(33,863)
Loss from discontinued operations	14	(49,756)	(23,935)
Loss attributable to the owners of the parent		(98,652)	(57,798)
Other comprehensive (expense)/income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Actuarial (loss)/gain on defined benefit pensions	9	(1,319)	2,889
Income tax relating to items that will not be reclassified subsequently to profit or loss		378	(661)
Changes in the fair value of equity investments	18	(744)	-
Exchange differences on translation of foreign operations		3	(5)
Other comprehensive (expense)/income		(1,682)	2,223
Total comprehensive expense		(100,334)	(55,575)

* The prior year comparatives have been restated to present the results from the exited Allvotec/ISG division as discontinued, as set out in note 14. All other operations of the Group are considered to be continuing in both the current and prior year.

The notes on pages 29 to 88 are an integral part of these consolidated financial statements.

Consolidated balance sheet

	Note	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Assets			
Non-current assets			
Goodwill	15	497,680	599,255
Other intangible assets	16	111,708	14,190
Property, plant and equipment	17	51,960	42,409
Retirement benefit asset	9	11,809	12,589
Financial asset	18	1,293	-
Investment in joint venture	19	176	172
Deferred tax assets	20	-	11,134
		674,626	679,749
Current assets			
Assets included in disposal group classified as held for sale	14	1,615	22,928
Inventories	22	824	1,061
Trade and other receivables – due in < 1 year	23	88,667	83,247
Trade and other receivables – due in > 1 year	23	9,917	5,998
Corporation tax asset		8,155	3,684
Cash and cash equivalents	24	33,031	35,193
		142,209	152,111
Liabilities			
Current liabilities			
Liabilities included in disposal group classified as held for sale	14	(10,074)	(28,081)
Trade and other payables	25	(139,135)	(143,544)
Borrowings	27	(255,172)	(225,318)
Provisions	28	(1,061)	(4,656)
		(405,442)	(401,599)
Net current liabilities		(263,233)	(249,488)
Non-current liabilities			
Borrowings	27	(726,042)	(650,584)
Provisions	28	(3,794)	(6,971)
Deferred tax liabilities	20	(11,858)	(3,548)
Other non-current liabilities	29	(2,411)	(1,536)
		(744,105)	(662,639)
Net liabilities		(332,712)	(232,378)
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	30	7,364	7,679
Capital redemption reserve		349	34
Foreign currency translation reserve		53	50
Pension reserve		(374)	567
Merger reserve		(147,444)	(147,444)
Other reserve		(744)	-
Retained loss		(191,916)	(93,264)
Total equity		(332,712)	(232,378)

The notes on pages 29 to 88 are an integral part of these consolidated financial statements. The consolidated financial statements on pages 24 to 88 were approved by the directors and authorised for issue on 4 August 2023 and signed on their behalf by:



Matthew Riley
Chairman

Company registration number: 13083567

Consolidated statement of changes in equity (continued)

	Share capital £'000	Capital redemption reserve £'000	Foreign currency translation reserve £'000	Pension reserve £'000	Merger reserve £'000	Other reserve £'000	Retained loss £'000	Total equity £'000
	Note 30							
At 1 April 2022	7,679	34	50	567	(147,444)	-	(93,264)	(232,378)
Loss for the year	-	-	-	-	-	-	(98,652)	(98,652)
Other comprehensive income/(expense):								
Actuarial loss on defined benefit pension schemes	-	-	-	(1,319)	-	-	-	(1,319)
Income tax relating to items that will not be reclassified subsequently to profit or loss	-	-	-	378	-	-	-	378
Changes in the fair value of equity investments	-	-	-	-	-	(744)	-	(744)
Exchange differences on translation of foreign operations	-	-	3	-	-	-	-	3
Total comprehensive income/(expense) for the year	-	-	3	(941)	-	(744)	(98,652)	(100,334)
Transactions with owners in their capacity as owners:								
Share redemptions and cancellations	(315)	315	-	-	-	-	-	-
At 31 March 2023	7,364	349	53	(374)	(147,444)	(744)	(191,916)	(332,712)

The notes on pages 29 to 88 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, net of related tax.

Consolidated statement of changes in equity (continued)

	Share capital £'000	Capital redemption reserve £'000	Foreign currency translation reserve £'000	Pension reserve £'000	Merger reserve £'000	Retained loss £'000	Total equity £'000
	Note 30						
At 1 April 2021	7,679	34	55	(1,661)	(147,444)	(35,466)	(176,803)
Loss for the year	-	-	-	-	-	(57,798)	(57,798)
Other comprehensive income/(expense):							
Actuarial gain on defined benefit pension schemes	-	-	-	2,889	-	-	2,889
Income tax relating to items that will not be reclassified subsequently to profit or loss	-	-	-	(661)	-	-	(661)
Exchange differences on translation of foreign operations	-	-	(5)	-	-	-	(5)
Total comprehensive income/(expense) for the year	-	-	(5)	2,228	-	(57,798)	(55,575)
At 31 March 2022	7,679	34	50	567	(147,444)	(93,264)	(232,378)

Consolidated cash flow statement

	Note	Year ended 31 March 2023 £'000	Restated * Year ended 31 March 2022 £'000
Cash generated from operations	32	59,622	41,640
Net income taxes paid		(5,501)	(1,933)
Net cash generated from operating activities		54,121	39,707
Net cash used in operating activities from discontinued operations		(13,962)	(12,310)
Cash flows from investing activities			
Business combinations, net of cash acquired	5	(11,903)	(219,074)
Payment to acquire intangible assets	16	(17,460)	(6,937)
Purchase of property, plant and equipment	17	(5,390)	(2,830)
Proceeds from the sale of property, plant and equipment		6,900	-
Interest received		8	-
Net cash used in investing activities		(27,845)	(228,841)
Net cash generated from/(used in) investing activities from discontinued operations		3,000	(121)
Cash flows from financing activities			
Proceeds from borrowings		31,000	223,000
Capitalised loan arrangement fees		(438)	(2,150)
Interest paid	11	(32,834)	(31,373)
Lease payments		(11,660)	(12,329)
Interest element of lease repayments		(2,400)	(1,872)
Net cash (used in)/generated from financing activities		(16,332)	175,276
Net cash used in financing activities from discontinued operations		(1,147)	(2,642)
Effect of exchange rate changes		3	(5)
Net decrease in cash and cash equivalents		(2,162)	(28,936)
Cash and cash equivalents at the start of the year		35,193	64,129
Cash and cash equivalents at the end of the year	24	33,031	35,193

* The prior year comparatives have been restated to present the cash flows from the exited Allvotec/ISG division as discontinued, as set out in note 14.

The notes on pages 29 to 88 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements (continued)

1. GENERAL INFORMATION

Daisy Holdco 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.

Subsequent to the year end on 30 June 2023, the Group drew down a further £50.0 million on its incremental facility within senior debt, which was used to repay part of the £215.0 million PIK facility drawn in March 2022 to fund the XLN acquisition. The remainder of this PIK facility (including accrued interest), which had been rolling on a monthly basis, was converted into long-term debt at the same date with a new maturity date of 31 January 2027.

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, which assumes no growth beyond FY23 exit run-rate with no mitigating actions taken, 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 concern basis in preparing the financial statements.

2.2 Basis of preparation

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards and the requirements of the Companies Act 2006. On 31 December 2020, IFRS as adopted by the European Union at that date were brought into UK law and became UK-adopted International Accounting Standards with future changes being subject to endorsement by the UK endorsement Board. The Group transitioned to the UK-adopted International Accounting Standards in the Group financial statements on 1 April 2021.

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 a number of minor amendments to standards effective in the year issued by the International Accounting Standards Board (IASB), none of which have had a material impact on the Group. These include amendments to IAS 16, IAS 37, IFRS 3 and annual improvements to IFRS Standards.

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:

- IAS 1 Presentation of financial statements’ and IFRS Practice Statement 2 (Amendment – Disclosure of Accounting Policies, Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants)

Notes to the consolidated financial statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of preparation (continued)

- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Accounting Estimates)
- IAS 12 Income Taxes (Amendment – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction)
- IFRS 16 Leases – Liability in a Sale and Leaseback

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 period.

2.3 Consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of Daisy Holdco Limited (“the Company”) and enterprises controlled by the Company (its “subsidiaries”).

Daisy Holdco Limited was incorporated on 15 December 2020 and subsequently acquired Daisy Group Holdings Limited and its subsidiary undertakings on 8 February 2021 by way of a share-for-share exchange, thereby becoming the new ultimate parent company of the Group. As this was a business combination under common control, capital reorganisation accounting has been applied using the retrospective presentation method. As such, assets and liabilities of the acquired entities are stated at predecessor carrying values with no new goodwill arising. All entities’ results and balance sheets are included in the consolidation from the date the entity joined the Daisy Group (either headed by Daisy Group Holdings Limited or Daisy Holdco Limited). The policies below apply other than in the case of Daisy Holdco Limited’s acquisition of Daisy Group Holdings Limited.

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.

Notes to the consolidated financial statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation

The presentational currency of the Group is sterling. All Group companies other than one Bulgarian subsidiary in the ISG 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.

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 SME, Corporate 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.

Notes to the consolidated financial statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Revenue recognition (continued)

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.

Sale of services

Service income is recognised at fair value, evenly over the period 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.

Notes to the consolidated financial statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Notes to the consolidated financial statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Other intangible assets (continued)

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

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

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.

Notes to the consolidated financial statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Property, plant and equipment (continued)

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.

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.

Notes to the consolidated financial statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Leases (continued)

Group as a lessee (continued)

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.

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 Allvotec section of the Mercer Master Trust (“MMT” and previously the Federation Pension Plan, “FPP”) and the ICM Computer Group Pension & Assurance Scheme (“ICM scheme”) for certain of its employees. Since the employees in the MMT 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, along with financial assets held at fair value through other comprehensive income. 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 equity investments, which are not held for trading and are held at fair value through other comprehensive income.

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. The Group recognises cash when it is within its control and in accordance with IFRS 9, when it has the contractual right to obtain cash from the bank. Cash in transit to or from external entities at a period end is not recognised where the Group does not have the contractual right to obtain the cash and is therefore not deemed to exercise control over it. In respect of incoming receipts via electronic transfer, the Group recognises cash as a financial asset on the transfer settlement date and not before. In respect of outgoing payments where there is often a delay between the remittance date and the transfer settlement date, the Group derecognises the cash from financial assets on the transfer remittance date and not after.

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 from time to time 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 21). 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:

Notes to the consolidated financial statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Financial instruments (continued)

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.

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 Discontinued operations and non-current assets (or disposal groups) held for sale

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. Any tax losses generated by discontinued operations are expected to be utilised by the continuing operations of the Group and are therefore not included in the results of discontinued operations.

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, other than assets such as financial assets that are carried at fair value. An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. Non-current assets are not depreciated or amortised while they are classified as held for sale, while held for sale assets and liabilities are presented separately and distinct from other assets and liabilities in the balance sheet.

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:

Notes to the consolidated financial statements (continued)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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.

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.

Classification of discontinued operations

The Group has applied judgement in assessing whether the closure of the Allvotec/ISG division represents both individual cash generating units and, together as a disposal group, a major line of business to the Group. Having concluded that both of these criteria are met, the results of this disposal group have therefore been presented as discontinued in the current year with a corresponding restatement of the comparative figures.

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 15 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 2023, were determined on the basis of the reports reviewed by the Group board of directors.

During the year, the exit of the Allvotec hardware break-fix business that began in the final quarter of the previous year was concluded. Subsequently, the board made the decision to also exit the remaining physical network infrastructure services ('ISG') part of the Allvotec division. The whole of the trade of the Allvotec/ISG division therefore ceased prior to the year end. The financial performance relating to the exited Allvotec/ISG division has been presented as discontinued operations in the consolidated income statement (see note 14 for further details) and excluded from the segment information below. The comparatives have been restated accordingly.

The segments at 31 March 2023 comprised:

SME

SME 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.

Net central (costs)/income

Central costs consist of central activities that are not directly attributable to the operating segment. In the prior year, the net central income consisted 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 (2022: same).

Notes to the consolidated financial statements (continued)

4. SEGMENT INFORMATION (CONTINUED)

The segment information for the year ended 31 March 2023 is as follows:

	SME	Corporate	Net central (costs)/ income	Continuing operations
	£'000	£'000	£'000	£'000
Voice	9,298	6,268	-	15,566
Connectivity	115,533	41,022	-	156,555
Mobility	54,925	25,883	-	80,808
IT Services	16,391	104,771	-	121,162
Cloud	12,844	32,695	-	45,539
Total segment revenue	208,991	210,639	-	419,630
Inter-segment revenue	-	(2,455)	-	(2,455)
External revenue	208,991	208,184	-	417,175
Voice	6,836	4,437	-	11,273
Connectivity	59,847	16,287	-	76,134
Mobility	23,582	13,787	-	37,369
IT Services	8,530	54,563	-	63,093
Cloud	5,588	18,557	-	24,145
Total segment gross profit	104,383	107,631	-	212,014
Adjusted EBITDA	53,198	40,283	(2,013)	91,468
Allocation of central costs to continuing operations	(1,009)	(1,004)	2,013	-
Amortisation	(21,856)	(2,555)	-	(24,411)
Depreciation	(3,084)	(13,512)	(537)	(17,133)
Net exceptional operating income/(costs)	60	2,439	(3,958)	(1,459)
Operating profit/(loss)	27,309	25,651	(4,495)	48,465

Notes to the consolidated financial statements (continued)

4. SEGMENT INFORMATION (CONTINUED)

The segment information for the year ended 31 March 2022 is as follows:

	Restated SME	Restated Corporate	Restated Net central income/ (costs)	Restated Continuing operations
	£'000	£'000	£'000	£'000
Voice	10,757	7,740	-	18,497
Connectivity	56,546	44,038	-	100,584
Mobility	48,820	25,136	-	73,956
IT Services	9,349	95,425	-	104,774
Cloud	8,169	29,036	-	37,205
Total segment revenue	133,641	201,375	-	335,016
Inter-segment revenue	-	(5,971)	-	(5,971)
External revenue	133,641	195,404	-	329,045
Voice	7,836	5,102	-	12,938
Connectivity	24,780	18,055	-	42,835
Mobility	20,445	11,674	-	32,119
IT Services	5,852	51,041	-	56,893
Cloud	5,692	14,071	-	19,763
Total segment gross profit	64,605	99,943	-	164,548
Adjusted EBITDA	31,243	35,688	1,138	68,069
Allocation of central income to continuing operations	462	676	(1,138)	-
Amortisation	(6,242)	(18,242)	-	(24,484)
Depreciation	(3,264)	(15,650)	(663)	(19,577)
Net exceptional operating costs	(2,313)	(3,841)	(2,523)	(8,677)
Operating profit/(loss)	19,886	(1,369)	(3,186)	15,331

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

	Year ended 31 March 2023	Restated Year ended 31 March 2022
	£'000	£'000
Operating profit	48,465	15,331
Net finance expense	(103,588)	(56,142)
Share of profit/(loss) from joint venture	4	(12)
Loss before tax	(55,119)	(40,823)

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 2023 £'000	Restated Year ended 31 March 2022 £'000
UK	416,535	327,652
Rest of Europe	568	1,295
Americas	72	98
External revenue	417,175	329,045

5. BUSINESS COMBINATIONS

a) Business combinations in the year ended 31 March 2023

On 26 May 2022, the Group acquired the entire share capital of Communicate Better Holdings Limited and its subsidiaries for a consideration of £12.7 million on a debt-free basis, including cash of £0.6 million.

The book value of the assets and liabilities acquired, resultant fair value adjustments made (which are considered final) and the associated goodwill arising from the acquisition was as follows:

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Intangible assets	268	9,707	9,975
Fixed assets	9	229	238
Inventories	88	(58)	30
Cash	625		625
Trade and other receivables	1,181	1,047	2,228
Deferred tax liability	-	(2,427)	(2,427)
Trade and other payables	(723)	(1,513)	(2,236)
Leases	-	(229)	(229)
Corporation tax liability	(359)	90	(269)
Net assets acquired	1,089	6,846	7,935
Goodwill			4,728
Purchase consideration			12,663

Notes to the consolidated financial statements (continued)

5. BUSINESS COMBINATIONS (CONTINUED)

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

	£'000
Gross contractual amounts receivable	663
Provision for non-collection	(9)
	654

Cash flows arising from the acquisitions were as follows:

	Total £'000
Total purchase consideration	12,663
Deferred/contingent consideration	(135)
Cash and cash equivalents in acquiree	(625)
Cash outflow	11,903

From the date of acquisition to 31 March 2023, the acquired companies contributed the following revenue and Adjusted EBITDA:

	£'000
Revenue	5,416
Adjusted EBITDA	1,020

The revenue and Adjusted EBITDA of the acquired companies for the year ended 31 March 2023 were as follows:

	£'000
Revenue	6,616
Adjusted EBITDA	1,198

Notes to the consolidated financial statements (continued)

5. BUSINESS COMBINATIONS (CONTINUED)

b) Business combinations in the year ended 31 March 2022

The following fair value adjustments have been made to the provisional fair values of Premier Choice and XLN in the 12 months following their acquisition in the prior year:

Premier Choice	Provisional fair value to the Group £'000	Fair value adjustments £'000	Revised fair value to the Group £'000
Intangible assets	-	10,385	10,385
Fixed assets	893	-	893
Inventories	67	-	67
Cash	3,601	-	3,601
Trade and other receivables	4,223	-	4,223
Deferred tax liability	-	(2,596)	(2,596)
Trade and other payables	(1,540)	-	(1,540)
Corporation tax liability	(368)	-	(368)
Net assets acquired	6,876	7,789	14,665
Goodwill	10,385	(7,789)	2,596
Purchase consideration	17,261	-	17,261

XLN	Provisional fair value to the Group £'000	Fair value adjustments £'000	Revised fair value to the Group £'000
Intangible assets	169	88,900	89,069
Fixed assets	2,788	-	2,788
Inventories	120	-	120
Cash	8,033	-	8,033
Trade and other receivables	6,591	(508)	6,083
Corporation tax assets	848	-	848
Deferred tax liability	(127)	(21,771)	(21,898)
Trade and other payables	(13,036)	-	(13,036)
Provisions	(537)	-	(537)
Leases	(1,999)	141	(1,858)
Net assets acquired	2,850	66,762	69,612
Goodwill	211,925	(66,762)	145,163
Purchase consideration	214,775	-	214,775

Notes to the consolidated financial statements (continued)

6. OPERATING PROFIT

Operating profit has been arrived at after charging:

	Note	Year ended 31 March 2023 £'000	Restated Year ended 31 March 2022 £'000
Employee costs	8	90,267	70,357
Auditors' remuneration			
- audit fees	10	1,300	974
- non-audit fees	10	377	392
Property, plant and equipment:			
Depreciation of owned assets	17	4,340	9,273
Depreciation of right-of-use assets	17	12,793	10,304
Impairment of right-of-use assets	17	490	-
Intangible asset amortisation	16	24,411	24,484
Cost of inventories recognised as expenses *	22	40,807	29,547

* The prior year figure for cost of inventories recognised as expenses has been corrected and restated for more accurate comparability.

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 2023 £'000	Restated Year ended 31 March 2022 £'000
Employee-related restructuring costs (i)	1,023	492
Costs directly relating to acquisitions (ii)	523	1,871
Other restructuring costs (iii)	6,075	6,314
Profit on disposal of property, plant and equipment (iv)	(6,162)	-
	1,459	8,677

(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 Communicate Better and XLN.

(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) The profit on disposal of property, plant and equipment in the year related to the disposal of a number of leasehold and owned properties.

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 2023 £'000	Restated Year ended 31 March 2022 £'000
Wages and salaries		81,005	61,865
Social security costs		9,488	8,258
Other pension costs		3,083	2,723
		93,576	72,846
Staff costs capitalised	16	(3,309)	(2,489)
		90,267	70,357

During the year, £3.3 million (2022: £2.5 million) of internal time spent on developing the internal systems was capitalised as software development.

The average monthly number of employees including directors (and excluding discontinued operations) during the year was:

	Year ended 31 March 2023 Number	Restated Year ended 31 March 2022 Number
Operations	1,105	980
Sales	552	410
Executive and administrative	359	170
	2,016	1,560

Employee numbers (excluding discontinued operations) at the balance sheet date are analysed as follows:

	31 March 2023 Number	Restated 31 March 2022 Number
Operations	1,125	988
Sales	525	565
Executive and administrative	363	412
	2,013	1,965

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

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Short-term employee benefits	3,167	1,432
Post-employment benefits	4	25
	3,171	1,457

Emoluments of the highest paid director were £1,201,000 (2022: £600,000), which includes contributions of £nil (2022: £nil) to a defined contribution pension scheme. There were no other benefits owed to directors at the year end (2022: £nil).

Post-employment benefits are accruing for one director (2022: 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 £3,662,000 (2022: £4,304,000). There were no overdue contributions payable at the balance sheet date.

In addition, the Group sponsors two defined benefit pension schemes: the Allvotec section of the Mercer Master Trust ("MMT" and previously the Federation Pension Plan, "FPP") and the ICM Computer Group Pension and Assurance Scheme ("ICM scheme"), which certain of its employees participate in. Since the employees in the MMT 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 2021 and so the results have been used and updated to 31 March 2023 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 25 years (MMT) and 19 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 are more heavily weighted in investments in debt instruments as part of a de-risking strategy, given the fully funded status of both schemes. 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 2023 %	31 March 2022 %
Discount rate	4.65	2.70
Expected rate of salary increases	N/A	2.80
Future pension increases		
- RPI max 5% p.a.	3.00	3.30
- RPI max 2.5%	2.05	2.20
- CPI max 3% p.a.	2.05	2.25
Inflation (RPI)	3.20	3.45
Inflation (CPI)	2.60	2.75
Mortality tables used	101% of SAPS 3 "All" tables Long-term improvement of 1.25% for men and women	101.5% 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 2023		31 March 2022	
	Male	Female	Male	Female
Member currently age 65	87.1	89.5	86.8	88.9
Member currently age 45	88.5	90.9	88.2	90.4

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

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Current service cost	(172)	(252)
Settlement credit	-	200
Administrative costs	(59)	(56)
Net interest income on defined benefit assets	344	197
	113	89

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 2023 £'000	Year ended 31 March 2022 £'000
Re-measurement gains	11,061	3,000
Return on assets in excess of that recognised in net income	(12,380)	(111)
Actuarial (losses)/gains on defined benefit pension schemes	(1,319)	2,889

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 2023	31 March 2022
	£'000	£'000
Present value of defined benefit obligations	(27,299)	(38,292)
Fair value of scheme assets	39,108	50,881
Net surplus in plans and net defined benefit asset	11,809	12,589

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

	31 March 2023	31 March 2022
	£'000	£'000
Surplus in MMT recognised as a non-current asset	5,571	850
Surplus in ICM scheme recognised as a non-current asset	6,238	11,739
Net surplus in plans and net defined benefit asset	11,809	12,589

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 contributed £0.2 million (2022: £0.3 million) to the ICM scheme during the year. As at December 2022 the Group ceased deficit funding contributions as the scheme is now in a funding surplus. The MMT is also in a funding surplus.

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 2021	37,602
Interest cost	734
Settlement credit	(200)
Re-measurement (gains)/losses:	
Actuarial losses from changes in demographic assumptions	213
Actuarial gains from changes in financial assumptions	(2,720)
Actuarial losses from experience	192
Benefits paid	(854)
Settlements	(3,757)
At 31 March 2022	31,210
At 1 April 2022	31,210
Interest cost	832
Re-measurement (gains)/losses:	
Actuarial losses from changes in demographic assumptions	341
Actuarial gains from changes in financial assumptions	(11,556)
Actuarial losses from experience	2,774
Benefits paid	(766)
At 31 March 2023	22,835

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

	£'000
At 1 April 2021	46,890
Interest income	933
Contributions by the employer	253
Remeasurement losses on scheme assets	(516)
Benefits paid	(854)
Settlements	(3,757)
At 31 March 2022	42,949
At 1 April 2022	42,949
Interest income	1,152
Contributions by the employer	210
Remeasurement losses on scheme assets	(14,472)
Benefits paid	(766)
At 31 March 2023	29,073

Notes to the consolidated financial statements (continued)

9. RETIREMENT BENEFIT PLANS (CONTINUED)

MMT

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

	£'000
At 1 April 2021	7,679
Interest cost	159
Current service cost	252
Contributions by plan participants	7
Re-measurement (gains)/losses:	
Actuarial losses from changes in demographic assumptions	39
Actuarial (gains) from changes in financial assumptions	(735)
Actuarial losses from experience	11
Benefits paid	(330)
At 31 March 2022	7,082
At 1 April 2022	7,082
Interest cost	184
Current service cost	172
Contributions by plan participants	5
Re-measurement (gains)/losses:	
Actuarial (gains) from changes in demographic assumptions	(84)
Actuarial (gains) from changes in financial assumptions	(2,962)
Actuarial losses from experience	426
Benefits paid	(359)
At 31 March 2023	4,464

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

	£'000
At 1 April 2021	7,489
Interest income	157
Contributions by the employer	260
Contributions by the plan participants	7
Remeasurement gains on scheme assets	405
Administrative costs incurred	(56)
Benefits paid	(330)
At 31 March 2022	7,932
At 1 April 2022	7,932
Interest income	208
Contributions by the employer	216
Contributions by the plan participants	5
Remeasurement gains on scheme assets	2,092
Administrative costs incurred	(59)
Benefits paid	(359)
At 31 March 2023	10,035

Notes to the consolidated financial statements (continued)

9. RETIREMENT BENEFIT PLANS (CONTINUED)

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

	31 March 2023 £'000	31 March 2022 £'000
Equities	2,981	3,652
Bonds	13,186	12,926
Gilts	15,466	13,610
Diversified growth funds	6,848	19,128
Cash and cash equivalents	627	1,565
	39,108	50,881

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 2021	9,098
Net interest income	197
Current service cost	(252)
Settlement credit	200
Re-measurement gains	3,000
Loss on assets in excess of that recognised in net income	(111)
Administrative costs incurred	(56)
Employer contributions	511
At 31 March 2022	12,589
At 1 April 2022	12,589
Net interest income	344
Current service cost	(172)
Re-measurement gains	11,061
Loss on assets in excess of that recognised in net income	(12,380)
Administrative costs incurred	(59)
Employer contributions	426
At 31 March 2023	11,809

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

Assumption	Change in assumption	31 March 2023 Increase in scheme liabilities £'000
Discount rate	Decrease by 0.25ppts	1,281
Inflation	Increase by 0.25ppts	1,023
Mortality	Long-term mortality improvement of 1.5%	236

Assumption	Change in assumption	31 March 2022 Increase in scheme liabilities £'000
Discount rate	Decrease by 0.25ppts	2,353
Inflation	Increase by 0.25ppts	1,594
Mortality	Long-term mortality improvement of 1.5%	518

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 2023 £'000	Year ended 31 March 2022 £'000
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	250	40
Fees payable to the Company's auditors for other services:		
- Audit of the Company's subsidiaries pursuant to legislation – continuing operations	1,050	821
- Audit of the Company's subsidiaries pursuant to legislation – discontinued operations	-	113
Total audit fees	1,300	974
Non-audit services - services relating to taxation	-	50
Non-audit services - services relating to corporate finance transactions	320	320
Non-audit services - other	57	22
	1,677	1,366

Services relating to corporate finance transactions relate to due diligence work on acquisitions and other corporate transactions. Other non-audit services principally relate to group structuring support (2022: pensions scheme advisory work).

11. FINANCE INCOME AND FINANCE COSTS

	Year ended 31 March 2023 £'000	Restated Year ended 31 March 2022 £'000
Finance income		
Bank interest	8	-
Interest on pensions	344	197
Other interest	-	2
Fair value movements on derivatives	-	4,047
	352	4,246
Finance costs		
Senior debt interest	40,775	31,984
Interest and costs associated with derivative financial instruments	-	1,241
PIK debt interest	60,498	24,947
Other interest	267	259
Leases	2,400	1,957
	103,940	60,388

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 2023 £'000	Restated Year ended 31 March 2022 £'000
Finance costs from continuing operations		103,940	60,388
Less non-cash element of interest charge from EIR model		(2,158)	(2,074)
Less PIK debt interest		(60,498)	(24,947)
Less leases (shown separately on cash flow statement)		(2,400)	(1,872)
Movement in interest accrual		(6,050)	(122)
Cash outflow relating to finance costs from continuing operations		32,834	31,373
Finance costs from discontinued operations	14	71	181
Less leases		(64)	(181)
Cash outflow relating to finance costs from discontinued operations		7	-
Cash outflow relating to finance costs		32,841	31,373

12. SHARE OF PROFIT/(LOSS) FROM JOINT VENTURE

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Share of profit/(loss) from DUCL	4	(12)

The Group has a 50% investment in a joint venture Daisy Udata Communications Limited ("DUCL"). The Group's share of the profit relating to DUCL was £4,000 (2022: loss of £12,000) which is now incorporated into the investment in joint ventures (note 19).

Notes to the consolidated financial statements (continued)

13. INCOME TAX

	Note	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Current tax			
UK corporation tax – current year		1,890	330
UK corporation tax – adjustments in respect of prior year		(1,141)	(1,348)
Total current tax charge/(credit)		749	(1,018)
Deferred tax			
Origination and reversal of temporary differences in relation to deferred tax assets- current year	20	1,347	(2,212)
Origination and reversal of temporary differences in relation to deferred tax liabilities- current year	20	(3,467)	(2,904)
Origination and reversal of temporary differences in relation to deferred tax assets- adjustments in respect of prior year	20	(4,852)	(826)
Total deferred tax credit		(6,972)	(5,942)
Total tax credit		(6,223)	(6,960)

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

	Year ended 31 March 2023 £'000	Restated Year ended 31 March 2022 £'000
Loss before tax:		
Continuing operations	(55,119)	(40,823)
Loss before tax at 19% (2022: 19%)	(10,473)	(7,756)
Tax effect of non-deductible expenses	9,090	6,008
Tax rate differences between current and deferred tax	808	(290)
Movement on unrecognised deferred tax	345	(2,748)
Adjustments in respect of prior year	(5,993)	(2,174)
Total tax credit	(6,223)	(6,960)

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 has been substantively enacted at the balance sheet date, the deferred tax balances in these financial statements are stated at 25%.

Notes to the consolidated financial statements (continued)

14. DISCONTINUED OPERATIONS

During the year, the exit of the Allvotec hardware break-fix business that began in the final quarter of the previous year was concluded. Subsequently, the board made the decision to also exit the remaining physical network infrastructure services ('ISG') part of the Allvotec division. The whole of the trade of the Allvotec division therefore ceased prior to the year end. The financial performance and cash flows relating to the exited Allvotec division are set out below and have been presented as discontinued operations in the consolidated income statement and consolidated cash flow statement, including the goodwill impairment charge in the current year of £31.8 million, which represented the remaining carrying value of goodwill associated with this division and which was included in net exceptional costs below. The assets and liabilities of the discontinued Allvotec divisions as at 31 March 2023 have been classified as held for sale and are also summarised below.

Income statement

	Note	Year ended 31 March 2023 £'000	Restated Year ended 31 March 2022 £'000
Revenue		27,141	65,121
Cost of sales		(9,967)	(20,762)
Gross profit		17,174	44,359
Operating costs		(66,859)	(68,113)
Operating loss		(49,685)	(23,754)
Adjusted EBITDA		(3,917)	(8,453)
Amortisation of intangible assets	16	(2,580)	(3,730)
Depreciation	17	(1,105)	(2,761)
Net exceptional operating costs – other		(42,083)	(8,810)
Operating loss		(49,685)	(23,754)
Finance costs	11	(71)	(181)
Loss before tax		(49,756)	(23,935)
Income tax charge		-	-
Loss after tax from discontinued operations		(49,756)	(23,935)

Included in Net exceptional operating costs – other was £2.1 million relating to the profit on disposal of the Campus and Projects division of Allvotec. Consideration with a fair value of £2.1 million was received by way of shares in Talis Essential IT plc (see note 18) with net liabilities disposed of as follows:

	Total £'000
Inventories	16
Trade and other receivables	837
Cash and cash equivalents	2,093
Trade and other payables	(2,971)
Net liabilities disposed of	(25)

Notes to the consolidated financial statements (continued)

14. DISCONTINUED OPERATIONS (CONTINUED)

The carrying amounts of assets and liabilities of the discontinued Allvotec divisions classified as held for sale are summarised as follows:

	As at 31 March 2023 £'000
Current assets	
Trade and other receivables – due in < 1 year	1,615
Assets of disposal group classified as held for sale	1,615
Liabilities	
Current liabilities	
Trade and other payables	5,921
Provisions	4,153
	10,074
Liabilities of disposal group classified as held for sale	10,074

Cash flow statement

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

	Year ended 31 March 2023 £'000	Restated Year ended 31 March 2022 £'000
Cash flows from operating activities	(13,962)	(12,310)
Cash flows from investing activities	3,000	(121)
Cash flows from financing activities	(1,147)	(2,642)
Net cash outflow from discontinued operations	(12,109)	(15,073)

Notes to the consolidated financial statements (continued)

15. GOODWILL

	Note	£'000
Cost		
At 1 April 2021		467,933
Additions		222,310
At 31 March 2022		690,243
At 1 April 2022		690,243
Prior year	5b	(74,551)
Adjusted goodwill after hindsight adjustments		615,692
Additions	5a	4,728
At 31 March 2023		620,420
Accumulated impairment		
At 1 April 2021 and 1 April 2022		(90,988)
Impairment charge		(31,752)
At 31 March 2023		(122,740)
Net book amount		
At 1 April 2021		376,945
At 31 March 2022		599,255
At 31 March 2023		497,680

The impairment charge of £31.8 million in the current year related to the discontinued ISG business. The £91.0 million impairment charge in the prior year related to the discontinued Allvotec business. The impairment charges have been included within the loss from discontinued operations line in the income statement.

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 2023 £'000	31 March 2022 £'000
SME	245,470	315,293
Corporate	252,210	252,210
ISG	-	31,752
	497,680	599,255

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 2023. 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 1.9% (2022: 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 2023	31 March 2022
	%	%
SME	12.2	9.0
Corporate	12.2	9.1
ISG	-	8.9

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. There is adequate headroom in all of the cash-generating units and so no impairment charges have been recognised by the Group in the year ended 31 March 2023 other than in relation to the discontinued ISG division, whose goodwill has been impaired in full. The directors do not consider there to be any reasonably possible changes in assumptions that would lead to an impairment charge in any of the cash-generating units as at 31 March 2023.

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 2021		394,257	32,525	6,216	2,319	435,317
Acquisitions through business combinations		-	169	-	-	169
Additions		6,305	3,105	-	-	9,410
Reclassification*		-	(1,751)	-	-	(1,751)
Assets included in disposal group classified as held for sale		-	(1,736)	-	-	(1,736)
At 31 March 2022		400,562	32,312	6,216	2,319	441,409
At 1 April 2022		400,562	32,312	6,216	2,319	441,409
Prior year	5b	88,789	8,672	-	1,824	99,285
Adjusted assets after hindsight adjustments		489,351	40,984	6,216	4,143	540,694
Acquisitions through business combinations	5a	9,707	268	-	-	9,975
Additions		10,481	4,304	175	-	14,960
Disposals		(12)	(9,194)	-	-	(9,206)
Assets included in disposal group classified as held for sale		(9,566)	(47)	-	-	(9,613)
At 31 March 2023		499,961	36,315	6,391	4,143	546,810
Accumulated amortisation and impairment						
At 1 April 2021		364,327	27,671	6,116	2,123	400,237
Amortisation for the year		25,848	2,090	80	196	28,214
Assets included in disposal group classified as held for sale		-	(1,232)	-	-	(1,232)
At 31 March 2022		390,175	28,529	6,196	2,319	427,219
At 1 April 2022		390,175	28,529	6,196	2,319	427,219
Amortisation for the year		20,102	5,897	80	912	26,991
Impairment		-	136	-	-	136
Disposals		(12)	(9,115)	-	-	(9,127)
Assets included in disposal group classified as held for sale		(9,566)	(551)	-	-	(10,117)
At 31 March 2023		400,699	24,896	6,276	3,231	435,102
Net book amount						
At 1 April 2021		29,930	4,854	100	196	35,080
At 31 March 2022		10,387	3,783	20	-	14,190
At 31 March 2023		99,262	11,419	115	912	111,708
Average remaining amortisation period (years)		4	2	1	1	

* A reclassification of £1.8 million has been made in the prior year from other intangible assets to property, plant and equipment to better reflect the nature of these assets.

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 2023 £'000	Restated Year ended 31 March 2022 £'000
Amortisation from continuing operations	6	24,411	24,484
Amortisation from discontinued operations	14	2,580	3,730
		26,991	28,214

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

	Year ended 31 March 2023 £'000	Restated Year ended 31 March 2022 £'000
Additions	14,960	9,410
Additions not paid at year end	-	(2,500)
Additions included in prior year but paid in the current year	2,500	90
Additions from discontinued operations	-	(63)
	17,460	6,937

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 £3.3 million in the current year (2022: £2.5 million) have been capitalised within the computer software additions above.

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 2021		86,264	5,655	13,523	61,311	6,383	173,136
Acquisitions through business combinations		1,706	12	-	1,939	24	3,681
Additions		1,795	148	218	2,765	740	5,666
Disposals		(7,408)	-	-	(2,028)	(1,723)	(11,159)
Reclassification*		864	(822)	-	1,709	-	1,751
Assets included in disposal group classified as held for sale		(2,036)	-	-	(12,309)	(1,977)	(16,322)
At 31 March 2022		81,185	4,993	13,741	53,387	3,447	156,753
At 1 April 2022		81,185	4,993	13,741	53,387	3,447	156,753
Acquisitions through business combinations	5a	229	-	-	9	-	238
Additions		29,718	397	448	5,238	866	36,667
Disposals		(18,104)	(934)	-	(18,139)	(3,582)	(40,759)
Assets included in disposal group classified as held for sale		1,719	-	-	12,327	65	14,111
At 31 March 2023		94,747	4,456	14,189	52,822	796	167,010
Accumulated depreciation and impairment							
At 1 April 2021		49,607	3,321	13,077	47,214	4,239	117,458
Charge for the year		10,919	685	545	9,082	1,107	22,338
Disposals		(7,398)	-	-	(1,900)	(1,717)	(11,015)
Assets included in disposal group classified as held for sale		(790)	-	-	(12,093)	(1,554)	(14,437)
At 31 March 2022		52,338	4,006	13,622	42,303	2,075	114,344
At 1 April 2022		52,338	4,006	13,622	42,303	2,075	114,344
Charge for the year		11,788	143	98	4,317	1,892	18,238
Impairment		490	-	-	-	-	490
Disposals		(9,904)	(730)	-	(16,437)	(3,177)	(30,248)
Assets included in disposal group classified as held for sale		473	-	-	12,111	(358)	12,226
At 31 March 2023		55,185	3,419	13,720	42,294	432	115,050
Net book amount							
At 1 April 2021		36,657	2,334	446	14,097	2,144	55,678
At 31 March 2022		28,847	987	119	11,084	1,372	42,409
At 31 March 2023		39,562	1,037	469	10,528	364	51,960

* A reclassification of £1.8 million has been made in the year from other intangible assets to property, plant and equipment to better reflect the nature of these assets

Notes to the consolidated financial statements (continued)

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Note	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Depreciation from continuing operations	6	17,133	19,577
Depreciation from discontinued operations	14	1,105	2,761
		18,238	22,338

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

	Year ended 31 March 2023 £'000	Restated Year ended 31 March 2022 £'000
Additions	36,667	5,666
Additions relating to provision capitalisation	(836)	(44)
Additions not paid at year end	-	(143)
Additions included in prior year but paid in the current year	143	-
Additions relating to right of use assets arising from leases	(30,584)	(2,635)
Additions relating to discontinued operations	-	(14)
	5,390	2,830

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 2023 financial year were £30.6 million (2022: £2.6 million).

31 March 2023

	Land and buildings £'000	Motor vehicles £'000	Network Infrastructure £'000	Computers and office equipment £'000	Total £'000
Cost	86,511	2,325	7,040	12,160	108,036
Accumulated depreciation and impairment	(54,931)	(2,063)	(7,040)	(9,513)	(73,547)
Net book amount	31,580	262	-	2,647	34,489

31 March 2022

	Land and buildings £'000	Motor vehicles £'000	Network Infrastructure £'000	Computers and office equipment £'000	Total £'000
Cost	68,420	5,469	7,040	11,566	92,495
Accumulated depreciation and impairment	(49,731)	(3,671)	(7,040)	(9,516)	(69,958)
Net book amount	18,689	1,798	-	2,050	22,537

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

Notes to the consolidated financial statements (continued)

18. FINANCIAL ASSETS

Financial assets at fair value through other comprehensive income comprise:

- Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be most relevant.

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Non-current assets		
<i>Listed securities</i>		
At 1 April 2022	-	-
Additions: Tialis Essential IT plc	2,037	-
Loss recognised in other comprehensive income	(744)	-
At 31 March 2023	1,293	-

On disposal of this equity investment, any related balance within the other reserve is reclassified to retained earnings.

19. INVESTMENT IN JOINT VENTURES

The Group has 50% ownership of Daisy Udata 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 £4,000 (2022: loss of £12,000), which has been incorporated into the balance of investment in joint venture.

	Note	£'000
Share of accumulated losses in joint venture at 1 April 2021		184
Share of loss for the year relating to DUCL	12	(12)
Share of accumulated profit in joint venture at 31 March 2022		172
Share of accumulated profit in joint venture at 1 April 2022		172
Share of profit for the year relating to DUCL	12	4
Share of accumulated profit in joint venture at 31 March 2023		176

Notes to the consolidated financial statements (continued)

20. DEFERRED TAX ASSETS AND LIABILITIES

	Note	General provisions and fair value of financial instruments £'000	Corporate interest restriction £'000	Depreciation in excess of capital allowances £'000	Tax losses £'000	Total £'000
Deferred tax assets						
At 1 April 2021		709	-	7,469	45	8,223
Business combinations – current year		-	-	(127)	-	(127)
Credit for the year	13	550	-	2,242	246	3,038
At 31 March 2022		1,259	-	9,584	291	11,134
At 1 April 2022		1,259	-	9,584	291	11,134
(Charge)/credit for the year	13	(548)	5,082	(2,647)	1,618	3,505
At 31 March 2023		711	5,082	6,937	1,909	14,639

	Note	Intangible assets £'000	Retirement benefit obligations £'000	Other timing differences £'000	Total £'000
Deferred tax liabilities					
At 1 April 2021		4,066	1,725	-	5,791
Amounts charged to other comprehensive income		-	661	-	661
(Credit)/charge for the year	13	(3,662)	758	-	(2,904)
At 31 March 2022		404	3,144	-	3,548
At 1 April 2022		404	3,144	-	3,548
Business combinations – hindsight adjustments		24,367	-	-	24,367
Business combinations – current year		2,427	-	-	2,427
Amounts credited to other comprehensive income		-	(378)	-	(378)
(Credit)/charge for the year	13	(3,651)	184	-	(3,467)
At 31 March 2023		23,547	2,950	-	26,497

Net deferred tax (liability)/asset

At 31 March 2022	7,586
At 31 March 2023	(11,858)

At 31 March 2023 there were unrelieved tax losses in the Group of £51.0 million (2022: £79.0 million). The Group had a potential deferred tax asset in relation to unrelieved losses, fixed asset timing differences, corporate interest restriction and other short-term timing differences of £33.2 million (2022: £37.7 million). A deferred tax asset has been recognised where, in the opinion of the directors, the Group is expected to make sufficient profit 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 2023 of £18.6 million (2022: £26.6 million).

The majority of the recognised deferred tax asset that relates to carry forward tax losses is expected to be utilised over the next 5 years, of which £1.5 million (2022: £0.1 million) is expected to be utilised in the next 12 months.

Notes to the consolidated financial statements (continued)

20. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

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 £1.7 million (2022: £1.5 million) is expected to be utilised in the next 12 months.

The deferred tax asset that relates to the corporate interest restriction is not expected to be utilised in the next 5 years.

The majority of the recognised deferred tax asset that relates to general provisions and the fair value of financial instruments 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.

21. FINANCIAL INSTRUMENTS

21.1 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) Equity investments

The following category of financial instruments is held by the Group:

	31 March 2023	31 March 2022
	£'000	£'000
Financial assets		
Measured at fair value through other comprehensive income – equity investments	1,293	-

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. These financial instruments are classified as level 1 investments.

Notes to the consolidated financial statements (continued)

21. FINANCIAL INSTRUMENTS (CONTINUED)

d) 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 2023 £'000	31 March 2022 £'000
Financial assets		
Measured at amortised cost – cash and cash equivalents	33,031	35,193
Measured at amortised cost – trade and other receivables excluding prepayments and contract costs	66,852	62,145
	99,883	97,338
Financial liabilities		
Other financial liabilities at amortised cost – borrowings (excluding lease liabilities)	941,332	848,116
Other financial liabilities at amortised cost – lease liabilities	39,882	27,786
Other financial liabilities at amortised cost – trade and other payables excluding deferred income and social security and other taxes	94,842	99,506
	1,076,056	975,408

21.2 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.

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 2023 it is estimated that a 2.5% (2022: 1.0%) 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 £22.2 million (2022: £5.8 million).

Notes to the consolidated financial statements (continued)

21. FINANCIAL INSTRUMENTS (CONTINUED)

21.2 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 23 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 for the continuing operations.

31 March 2023	Gross cash outflows				Carrying value £'000
	Within 1 year £'000	Between 1 and 5 years £'000	After 5 years £'000	Discounting £'000	
Floating rate					
Bank borrowings	27,342	557,907	-	(130,249)	455,000
Fixed rate					
PIK debt	245,018	392,860	-	(144,677)	493,201
Lease obligations	12,453	27,932	5,760	(6,263)	39,882
Other					
Provisions	1,061	3,752	42	-	4,855
Contingent consideration	779	-	-	-	779
Other financial liabilities– trade and other payables excluding contingent consideration, deferred income and social security and other taxes	91,136	2,927	-	-	94,063
	377,789	985,378	5,802	(281,189)	1,087,780

Notes to the consolidated financial statements (continued)

21. FINANCIAL INSTRUMENTS (CONTINUED)

21.2 Financial risk management (continued)

c) Liquidity risk (continued)

31 March 2022	Gross cash outflows				Carrying value £'000
	Within 1 year £'000	Between 1 and 5 years £'000	After 5 years £'000	Discounting £'000	
Floating rate					
Bank borrowings	24,803	521,085	-	(121,888)	424,000
Fixed rate					
PIK debt	235,284	374,213	-	(175,172)	434,325
Lease obligations	9,355	19,509	3,184	(4,262)	27,786
Other					
Provisions	4,656	4,378	2,593	-	11,627
Contingent consideration	891	302	-	-	1,193
Other financial liabilities– trade and other payables excluding contingent consideration, deferred income and social security and other taxes	97,392	921	-	-	98,313
	372,381	920,408	5,777	(301,322)	997,244

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 2023 £'000	31 March 2022 £'000
Total borrowings*	27	988,083	886,110
Less: cash and cash equivalents	24	(33,031)	(35,193)
Net debt		955,052	850,917
Total equity		(332,712)	(232,378)
Total capital		622,340	618,539
Gearing ratio		153.5%	137.6%

* Excludes unamortised bank borrowing fees of £6.9 million (2022: £10.2 million).

Notes to the consolidated financial statements (continued)

22. INVENTORIES

	31 March 2023 £'000	31 March 2022 £'000
Materials to be used in the rendering of services	87	765
Work in progress	342	97
Inventory held for resale	395	199
	824	1,061

The cost of inventories recognised as an expense from continuing operations during the year and included in cost of sales amounted to £40.8 million (2022 restated for more accurate comparability: £29.5 million - see note 6). During the year, no stock (2022: £nil) from continuing operations was written off. There is no material difference between the balance sheet value of stock and the replacement cost.

23. TRADE AND RECEIVABLES

	31 March 2023 £'000	31 March 2022 £'000
Trade receivables	38,299	39,737
Less: allowance for expected credit losses	(4,469)	(5,589)
Net trade receivables	33,830	34,148
Net investment in leases	174	310
Prepayments	24,153	19,513
Contract costs	7,579	7,587
Accrued income	24,912	24,518
Other receivables	7,936	3,169
	98,584	89,245

Prepayments, contract assets and accrued income of £9.9 million (2022: £6.0 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. Other receivables includes an amount of £5.4 million held in escrow at the year end in relation to the initial consideration for the ECSC acquisition, which completed subsequent to the year end.

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. 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 2021	1,474
Release of provision	(571)
Creation of provision	1,544
Utilisation of provision	(33)
Acquired through business combination	2,328
Transfer to assets held for sale	847
At 31 March 2022	5,589
At 1 April 2022	5,589
Release of provision	(1,877)
Creation of provision	6,137
Utilisation of provision	(1,154)
Acquired through business combination	9
Transfer to assets held for sale	(4,235)
At 31 March 2023	4,469

Notes to the consolidated financial statements (continued)

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

The creation and release of provisions from continuing operations for expected credit losses have been included within operating costs in the income statement:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Net creation and release of provisions from continuing operations	1,855	135
Net creation and release of provisions from discontinued operations	2,405	838
	4,260	973

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

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	4.2%	6.7%	34.0%	91.2%	
Gross carrying amount – trade receivables	28,648	5,551	1,455	2,645	38,299
Loss allowance at 31 March 2023	1,190	371	495	2,413	4,469

	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	4.8%	3.4%	24.9%	62.3%	
Gross carrying amount – trade receivables	19,970	11,414	2,588	5,765	39,737
Loss allowance at 31 March 2022	964	388	645	3,592	5,589

Notes to the consolidated financial statements (continued)

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

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 2023		31 March 2022	
	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	163	140	200	160
Between 1 and 5 years	60	53	205	184
Greater than 5 years	-	-	-	-
	223	193	405	344
Provision	(19)	(19)	(34)	(34)
	204	174	371	310
Analysed as:				
Due in < 1 year	149	127	183	145
Due in > 1year	55	47	188	165
	204	174	371	310

At 31 March 2023, the gross investment in lease receivables of £0.2 million (2022: £0.4 million) includes unearned interest of £30,000 (2022: £61,000).

24. CASH AND CASH EQUIVALENTS

	31 March 2023 £'000	31 March 2022 £'000
Cash at bank and in hand	33,031	35,193

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

25. TRADE AND OTHER PAYABLES

	31 March 2023 £'000	31 March 2022 £'000
Trade payables	34,840	38,006
Accruals	50,613	51,936
Deferred income	35,554	37,197
Social security and other taxes	9,513	8,064
Contingent consideration	779	891
Other payables	7,836	7,450
	139,135	143,544

Notes to the consolidated financial statements (continued)

26. CONTRACT BALANCES

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

	31 March 2023	31 March 2022
	£'000	£'000
Receivables, which are included in 'Trade and other receivables'	33,830	34,148
Accrued income	24,912	24,518
Deferred income	(37,191)	(37,510)

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 £37.2 million, which formed part of the deferred income balance at 31 March 2022, 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)

26. 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 2024 £'000	Year ended 31 March 2025 £'000
Deferred income at 31 March 2023	35,554	1,637

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 2023 £'000	31 March 2022 £'000
Assets recognised from costs to obtain a contract	5,468	3,519
Assets recognised from costs to fulfil a contract	2,111	4,068
	7,579	7,587

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 £5.6m (2022: £4.7m) for costs to obtain a contract and £5.4m (2022: £6.5m) for costs to fulfil a contract. There was no impairment loss in relation to the costs capitalised.

Notes to the consolidated financial statements (continued)

27. BORROWINGS

	Note	31 March 2023 £'000	31 March 2022 £'000
Non-current			
Senior debt	21	448,770	416,038
PIK debt	21	218,839	145,130
Capitalised PIK interest cost	21	28,872	71,901
Lease liabilities	21	29,561	17,515
		726,042	650,584
Current			
PIK debt	21	220,208	213,559
Capitalised PIK interest cost	21	24,643	1,488
Lease liabilities	21	10,321	10,271
		255,172	225,318

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 20 June 2022, the Group drew down a further £12.5 million on its incremental facility within its senior debt in order to fund the acquisition of Communicate Better Holdings Limited and its subsidiary undertakings.

Included within the Group's senior debt at 31 March 2023 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 SONIA 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 SONIA or 1%), together with three incremental facilities totalling £59.8 million (repayable on 31 January 2026 and attracting interest at a rate of 7% plus the higher of SONIA or 1%). The revolving credit facility, which expires on 31 July 2026 and attracts interest at a rate of 3.25% plus the higher of SONIA or 0%, was reduced from £55.0 million to £40.0 million during the year to reflect the smaller size of the Group following the divisional disposal. £26.5 million of this facility was drawn down as at 31 March 2023. The PIK facilities (other than the £215.0 million facility noted below) incur interest at a rate of 11% plus the higher of SONIA or 0%, which is payable on expiry of the facilities on 31 January 2027. In the prior year, the Group drew down a new rolling PIK facility of £215.0 million, incurring interest at a rate of 8%, which compounds and is repayable on the termination of the loan. At 31 March 2023 this facility was classified as current borrowings but subsequent to the year end on 30 June 2023, this facility was refinanced into long-term debt and moved out of current liabilities into non-current liabilities from that point. At the same time, the Group drew down a further £50.0m million on its incremental facility, within senior debt, which was used to repay part of the £215.0m million PIK facility.

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)

27. 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
At 1 April 2022	424,000
Debt drawn	31,000
At 31 March 2023	455,000

The movements on leases are as detailed below.

	Continuing operations 31 March 2023 £'000	Discontinued operations 31 March 2023 £'000	Total 31 March 2023 £'000	Continuing operations 31 March 2022 £'000	Discontinued operations 31 March 2022 £'000	Total 31 March 2022 £'000
At 1 April	27,786	-	27,786	34,666	1,811	36,477
Transferred to discontinued operations in prior year	-	480	480	-	-	-
At 1 April including discontinued operations	27,786	480	28,266	34,666	1,811	36,477
Transfer from continuing to discontinued	(1,363)	1,363	-	-	-	-
Drawdown	30,286	298	30,584	2,035	600	2,635
Interest accrued	2,400	64	2,464	2,053	84	2,137
Capital repayment	(11,660)	(1,075)	(12,735)	(10,865)	(1,931)	(12,796)
Interest repayment	(2,400)	(64)	(2,464)	(2,053)	(84)	(2,137)
Lease modification – terminated leases	(5,256)	(1,066)	(6,322)	-	-	-
Acquired through business combination	89	-	89	1,999	-	1,999
Write-off	-	-	-	(49)	-	(49)
Liabilities included in disposal group classified as held for sale	-	-	-	-	(480)	(480)
At 31 March	39,882	-	39,882	27,786	-	27,786

Notes to the consolidated financial statements (continued)

28. PROVISIONS

	Loss-making contracts provision £'000	Property provision £'000	Restructuring provision £'000	Total £'000
At 1 April 2021	3,188	11,349	113	14,650
Provision creation	1,422	813	2,842	5,077
Utilised during the year	(2,637)	(1,098)	(797)	(4,532)
Provision released	-	-	(79)	(79)
Acquired through business combinations	7	530	-	537
Liabilities included in disposal group classified as held for sale	(1,973)	(18)	(2,035)	(4,026)
At 31 March 2022	7	11,576	44	11,627

	Loss-making contracts provision £'000	Property provision £'000	Restructuring provision £'000	Total £'000
At 1 April 2022	7	11,576	44	11,627
Provision creation	184	836	11,965	12,985
Utilised during the year	(1,378)	(3,067)	(10,922)	(15,367)
Provision released	-	(4,261)	-	(4,261)
Liabilities included in disposal group classified as held for sale	1,187	(229)	(1,087)	(129)
At 31 March 2023	-	4,855	-	4,855

Provision creation and utilised during the year can be reconciled between continuing and discontinued operations as follows:

	Loss-making contracts provision £'000	Property provision £'000	Restructuring provision £'000	Total £'000
Provision creation				
Continuing operations	-	836	-	836
Discontinued operations	184	-	11,965	12,149
	184	836	11,965	12,985
Provision utilised				
Continuing operations	(7)	(3,054)	-	(3,061)
Discontinued operations	(1,371)	(13)	(10,922)	(12,306)
	(1,378)	(3,067)	(10,922)	(15,367)

Notes to the consolidated financial statements (continued)

28. PROVISIONS (CONTINUED)

	31 March 2023	31 March 2022
	£'000	£'000
Non-current	3,794	6,971
Current	1,061	4,656
	4,855	11,627

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 February 2028 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 closure and redundancy costs incurred as a result of a group reorganisation. It is expected to be fully utilised in the year ending 31 March 2024.

29. OTHER NON-CURRENT LIABILITIES

	31 March 2023	31 March 2022
	£'000	£'000
Accruals	284	454
Deferred income	1,637	313
Other payables	490	467
Contingent consideration	-	302
	2,411	1,536

Notes to the consolidated financial statements (continued)

30. SHARE CAPITAL

The Group has the following issued and fully paid shares:

	Number of shares	Par value £	Share capital £
Ordinary	1	1.00	1
A Ordinary	335,343	8.05	2,699,511
B Ordinary	385,858	8.05	3,106,157
C1 Ordinary	50,000	8.05	402,500
C2 Ordinary	58,850	8.05	473,743
E Ordinary	27,000	8.05	217,350
F1 Ordinary	1,800	35.00	63,000
F3 Ordinary	10,800	35.00	378,000
Preferred 2014 Ordinary	134,063,499	0.0001	10,725
Preferred 2019 Ordinary	163,284,784	0.0001	13,063
At 31 March 2023	298,217,935		7,364,050

	Number of shares	Par value £	Share capital £
Ordinary	1	1.00	1
A Ordinary	335,343	8.05	2,699,511
B Ordinary	385,858	8.05	3,106,157
C1 Ordinary	50,000	8.05	402,500
C2 Ordinary	58,850	8.05	473,743
E Ordinary	27,000	8.05	217,350
F1 Ordinary	10,800	35.00	378,000
F3 Ordinary	10,800	35.00	378,000
Preferred 2014 Ordinary	134,063,499	0.0001	10,725
Preferred 2019 Ordinary	163,284,784	0.0001	13,063
At 31 March 2022	298,226,935		7,679,050

On 20 December 2022, Daisy Holdco Limited repurchased 900 F1 Ordinary Shares for a consideration of £1. These shares were subsequently cancelled.

On 19 January 2023, Daisy Holdco Limited repurchased 8,100 F1 Ordinary Shares for a consideration of £1. These shares were subsequently cancelled.

Subsequent to the year end on 28 June 2023, Daisy Holdco Limited repurchased 13,550 C2 Ordinary Shares for a consideration of £4, 27,000 E Ordinary Shares for a consideration of £2, 1,800 F1 Ordinary Shares for a consideration of £2 and 10,000 F3 Ordinary Shares for a consideration of £2. These shares were subsequently cancelled.

Notes to the consolidated financial statements (continued)

30. SHARE CAPITAL (CONTINUED)

The rights associated with each class of share are as follows:

Class of share	Rights to vote	Rights to income	Rights to capital	Rights of redemption/repurchase
Ordinary	On a show of hands the holder of shares who (being an individual) is present or (being a corporation) is present by a duly authorised representative (not being himself a member entitled to vote) shall have one vote and on a poll the member holding shares shall have one vote for every such share of which he is the holder.	Any profits which the directors determine to distribute shall be distributed amongst the holders of the A Ordinary shares, the B Ordinary shares, the C Ordinary shares and the Ordinary share (taken together as one class) pro rata according to the number of such shares held by each holder following firstly the payment of the preferred coupon to the holders of Preferred Ordinary shares and secondly the payment of the preferred capital amount to the holders of Preferred Ordinary shares.	The capital and assets of the Company on a winding up or other return of capital available for distribution to the members of the Company shall be distributed firstly to the holders of Preferred Ordinary shares until such holders have received an amount equal to the preferred coupon, secondly to the holders of Preferred Ordinary shares until such holders have received an amount equal to the preferred capital amount and any residual amount will firstly be allocated to holders of the F Ordinary shares with the remaining amount being allocated to the holders of all other Equity shares.	The Ordinary share is not to be redeemed or liable to be redeemed at the option of the Company or the shareholders. Subject always to the prior redemption or purchase of all Preferred Ordinary shares, the A Ordinary shares, B Ordinary shares, and/or C1 shares may be redeemed at any time by the Company on a pro rata basis. The Company may also purchase C2 Ordinary shares, E Ordinary shares and/or F Ordinary shares in priority to the redemption or purchase of any other shares provided the Company is permitted or authorised to do so in accordance with the Companies Act 2006 and following such purchase the C2 Ordinary Shares, E Ordinary Shares and/or F Ordinary Shares so purchased are cancelled.
A Ordinary				
B Ordinary				
C1 Ordinary				
C2 Ordinary	None			
E Ordinary	On a show of hands the holder of shares who (being an individual) is present or (being a corporation) is present by a duly authorised representative (not being himself a member entitled to vote) shall have one vote and on a poll the member holding shares shall have one vote for every such share of which he is the holder.	E and F Ordinary shares are not entitled to receive any profits of the Company except in the case of an exit event where the distribution of any proceeds available for allocation amongst the members shall be made firstly to the holders of the Preferred Ordinary shares until such holders have received an amount equal to the preferred coupon in respect of each Preferred Ordinary share held by them, secondly to the holders of Preferred Ordinary shares until such holders have received an amount equal to the preferred capital amount in respect of each Preferred Ordinary share held by them and any residual amount will firstly be allocated to holders of the F Ordinary shares with the remaining amount being allocated to the holders of all other Equity shares.		
F 1 & F3 Ordinary	None			
Preferred Ordinary	None other than on a resolution for the winding up of the Company, for the appointment on an administrator or the approval of a voluntary arrangement, for a reduction in the capital of the Company or a resolution altering, varying or abrogating any of the special rights and/or privileges attaching to the Preferred Ordinary shares.	Any profits which the directors determine to distribute shall be distributed amongst the holders of the Preferred Ordinary shares until such holders have received an amount equal to the preferred coupon in respect of each Preferred Ordinary share held by them and then to the holders of Preferred Ordinary shares until such holders have received an amount equal to the preferred capital amount in respect of each Preferred Ordinary share held by them.	The capital and assets of the Company on a winding up or other return of capital available for distribution to the members of the Company shall be distributed firstly to the holders of Preferred Ordinary shares until such holders have received an amount equal to the preferred coupon in respect of each Preferred Ordinary share held by them, secondly to the holders of Preferred Ordinary shares until such holders have received an amount equal to the preferred capital amount in respect of each Preferred Ordinary share held by them and finally to the holders of equity shares.	The Company may at any time redeem or purchase all or any of the Preferred Ordinary shares for an amount equal to the preferred return in respect of each such share.

Notes to the consolidated financial statements (continued)

31. DIVIDENDS

The directors do not recommend payment of any dividends for the financial year (2022:Nil).

32. CASH GENERATED FROM OPERATIONS

	Notes	Year ended 31 March 2023 £'000	Restated Year ended 31 March 2022 £'000
Loss for the year from continuing operations		(48,896)	(33,863)
Share of (profit)/loss from joint venture	12	(4)	12
Income tax credit	13	(6,223)	(6,960)
Finance income	11	(352)	(4,246)
Finance costs	11	103,940	60,388
Operating profit		48,465	15,331
Adjustments for:			
Depreciation charge	17	17,133	19,577
Impairment of right-of-use asset	17	490	-
Provision creation (excluding element recognised within right of use assets)		-	1,486
Contingent consideration released		(100)	-
Release of provisions		(4,261)	-
Amortisation of intangible assets	16	24,411	24,484
(Profit)/loss on sale of property, plant and equipment		(4,129)	130
Retirement benefit – difference between contributions and amounts charged		(195)	(403)
Net provision for credit losses of trade receivables		1,855	135
Operating cash flows before movements in working capital		83,669	60,740
(Increase)/decrease in inventories		(327)	167
(Increase)/decrease in receivables		(18,296)	5,738
Decrease in payables		(2,363)	(23,921)
Decrease in provisions		(3,061)	(1,084)
Cash generated from operations		59,622	41,640

Notes to the consolidated financial statements (continued)

33. 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.

34. 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.

Lowood Estates Limited (formerly Riley Enterprises Limited), a private limited company controlled by the non-executive chairman, is the landlord for one of the Group's properties in Nelson and an archiving facility used by the Group. In the prior year, prior to this property lease being assumed by Lowood Estates Limited (formerly Riley Enterprises Limited), it was held by Riley Enterprises, a private partnership in which the non-executive chairman was a member.

Daisy Udata Communications Limited ("DUCL") is the joint venture between Daisy Corporate Services Trading Limited and Udata Infrastructure UK Limited.

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 (2022: none).

Subsidiaries

	Revenue		Expenses	
	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
DUCL	831	2,632	2	-
Riley Enterprises	-	9	-	416
Lowood Estates Limited (formerly Riley Enterprises Limited)	10	7	602	136
U-Explore Limited	132	128	112	-
	973	2,776	716	552

Subsidiaries

	Receivable		Payable	
	31 March 2023 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2022 £'000
DUCL	216	-	102	-
Lowood Estates Limited (formerly Riley Enterprises Limited)	-	-	1	-
U-Explore Limited	78	1	25	-
	294	1	128	-

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

Notes to the consolidated financial statements (continued)

34. 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 2023 £'000	31 March 2022 £'000
Short-term employee benefits	4,777	3,162
Compensation for loss of office	187	-
Post-employment benefits	135	234
	5,099	3,396

35. ULTIMATE CONTROLLING PARTY AND SUBSIDIARY COMPANIES

Ultimate controlling party

As there is no majority shareholder of Daisy Holdco Limited, the directors do not consider that there is any ultimate controlling party of the Group.

Subsidiaries

At 31 March 2023 the Group's subsidiaries and joint venture are detailed in the table below. The Company's only direct subsidiary is Daisy Group Holdings 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%
Premier Choice Telecom Limited	UK	Telecommunications services	100%
Premier Choice Rentals Limited	UK	Telecommunications services	100%
XLN Pay Limited	UK	Telecommunications services	100%
XLN Energy Limited	UK	Telecommunications services	100%
XLN Telecom Limited	UK	Telecommunications services	100%
OneBill Telecom Limited	UK	Telecommunications services	100%
Communicate Better Limited	UK	Telecommunications services	100%
Staveley Communications 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%
ECSC Group plc*	UK	IT services	100%
ECSC Services Limited*	UK	Non-trading	100%
ECSC Labs Limited*	UK	Non-trading	100%
ECSC Australia Limited*	UK	Non-trading	100%
ECSC Australia Pty Limited*	Australia	IT services	100%
Allvotec Holdings Limited	UK	Non-trading	100%
Allvotec Services Limited	UK	Non-trading	100%
Allvotec Trading 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%
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 Finco Limited	UK	Non-trading	100%
Daisy Group Holdings 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%

Notes to the consolidated financial statements (continued)

35. ULTIMATE CONTROLLING PARTY AND SUBSIDIARY COMPANIES (CONTINUED)

Name	Country of incorporation	Nature of business	% of ordinary shares held by the Group
Daisy Bidco 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 Group Limited	UK	Non-trading	100%
Daisy IT Managed Services Limited	UK	Non-trading	100%
Daisy Local Business Limited	UK	Non-trading	100%
Daisy Midco Limited	UK	Non-trading	100%
Daisy Pikco Limited	UK	Non-trading	100%
Alternative Networks Limited	UK	Non-trading	100%
Daisy Telecoms Limited	UK	Non-trading	100%
Daisy WiFi Limited	UK	Non-trading	100%
ISG Technology Holdings Limited	UK	Non-trading	100%
Cloudsure Limited***	UK	Non-trading	100%
The Net Crowd Limited	UK	Non-trading	100%
Aston (XLN) Topco Limited	UK	Non-trading	100%
Aston Bidco Limited	UK	Non-trading	100%
Hamsard 3209 Limited	UK	Non-trading	100%
Hamsard 3219 Limited	UK	Non-trading	100%
Hamsard 3210 Limited	UK	Non-trading	100%
Hamsard 3220 Limited	UK	Non-trading	100%
XLN Limited	UK	Non-trading	100%
Shine Telecom Limited	UK	Non-trading	100%
OneBill Group Limited	UK	Non-trading	100%
OneBill Limited	UK	Non-trading	100%
Card Processing Service Limited	UK	Non-trading	100%
Card Processing Finance Limited	UK	Non-trading	100%
Card Processing Solutions Limited	UK	Non-trading	100%
Card Processing Group Limited	UK	Non-trading	100%
CPS Merchant Services Limited	UK	Non-trading	100%
XLN Card Processing Solutions Limited	UK	Non-trading	100%
Communicate Better Holdings Limited	UK	Non-trading	100%
Staveley Holdings Limited	UK	Non-trading	100%
DCS Newco Limited****	UK	Non-trading	100%
Daisy Udata Communications Limited**	UK	Telecommunication services	50%

* Acquired subsequent to the year end

** Joint venture

*** Dissolved subsequent to the year end

**** Incorporated subsequent to the year end

Notes to the consolidated financial statements (continued)

35. 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, ISG Technology EOOD and ECSC Group plc and its subsidiaries which were acquired subsequent to the year end, is Lindred House, 20 Lindred Road, Brierfield, Nelson, Lancashire, BB9 5SR.

The registered address for Daisy IT Computer Group (Scotland) Limited is c/o DWF LLP Sentinel, 103 Waterloo Street, Glasgow G2 7BW.

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

The registered address for ECSC Group plc and its subsidiaries (ECSC Services Limited, ECSC Labs Limited and ECSC Australia Limited) other than ECSC Australia Pty Limited is 28 Campus Road, Listerhills Science Park, Bradford, BD7 1HR. The registered address for ECSC Australia Pty Limited is International Tower Three, Level 24, 300 Barangaroo Avenue, Sydney, NSW 2000.

All companies (other than those noted as having been acquired subsequent to the year end) have been included in the consolidation, but the results of Daisy Udata Communications Limited have been incorporated into the Group results using the equity method of accounting. See note 19 for further details.

Refer to note C6 of the Company financial statements for details of the Company's holdings in subsidiaries.

36. POST BALANCE SHEET EVENTS

Subsequent to the year end on 22 June 2023, Daisy Corporate Services Trading Limited (one of the Group's subsidiary companies) acquired ECSC Group plc and its subsidiary undertakings (together 'ECSC') for consideration of £6.3 million on a debt free basis, which was funded from cash reserves.

On 30 June 2023, the Group drew down a further £50.0 million on its incremental facility, within senior debt, which was used to repay part of the £215.0 million PIK facility drawn in March 2022 to fund the XLN acquisition. At the same time, this PIK facility was refinanced into long-term debt and moved out of current liabilities into non-current liabilities from this point.

Company income statement and statement of comprehensive income

		Year ended 31 March 2023 £'000	Period ended 31 March 2022 £'000
Exceptional operating costs	C4	(270,839)	-
Operating loss/result		(270,839)	-
Loss before tax		(270,839)	-
Income tax	C5	-	-
Loss after tax		(270,839)	-
Loss before tax and loss/result for the year/period attributable to equity shareholders		(270,839)	-
<i>Items that will never be reclassified to the income statement:</i>			
Distribution received from subsidiary		-	304,001
		-	304,001
Other comprehensive income		-	304,001
Total comprehensive (expense)/income		(270,839)	304,001

Company balance sheet

	Note	31 March 2023 £'000	31 March 2022 £'000
Fixed assets			
Investments	C6	40,883	311,722
Net assets		40,883	311,722
Capital and reserves			
Called up share capital	C7	7,364	7,679
Capital redemption reserve		315	-
Profit and loss account brought forward		304,043	-
(Loss)/profit in the year		(270,839)	304,043
Profit and loss account carried forward		33,204	304,043
Total shareholders' funds		40,883	311,722

The notes on pages 92 to 95 are an integral part of these Company financial statements.

The Company financial statements on pages 89 to 95 were approved by the directors and authorised for issue on 4 August 2023, and signed on their behalf by:



Matthew Riley
Chairman

Company registration number: 13083567

Company statement of changes in equity

	Share capital £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
Note C7				
On incorporation	-	-	-	-
Result for the year	-	-	-	-
Other comprehensive income:				
Distribution received from subsidiary	-	-	304,001	304,001
Total comprehensive income for the period	-	-	304,001	304,001
Transactions with owners in their capacity as owners:				
Issuance of shares	311,722	-	-	311,722
Capital reduction	(304,001)	-	304,001	-
Cancellation of shares	(42)	-	42	-
Distribution	-	-	(304,001)	(304,001)
At 31 March 2022	7,679	-	304,043	311,722
At 1 April 2022	7,679	-	304,043	311,722
Loss for the year	-	-	(270,839)	(270,839)
Total comprehensive income for the period	7,679	-	-	-
Transactions with owners in their capacity as owners:				
Share redemptions and cancellations	(315)	315	-	-
At 31 March 2023	7,364	315	33,204	40,883

The notes on pages 92 to 95 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.

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 Holdco 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 year 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 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.

C1.4 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.

C1.5 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.

Notes to the Company financial statements (continued)

C1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C1.6 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 21 of the consolidated financial statements.

C1.7 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 year and prior period.

The emoluments of the Company's directors have been recharged to its trading subsidiaries in both the current year and prior period. 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 the current year and prior period.

C4. 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 Company's underlying business performance. Exceptional operating costs are summarised below:

	Year ended 31 March 2023 £'000	Period ended 31 March 2022 £'000
Impairment of investment in subsidiary undertaking	270,839	-
	270,839	-

An impairment of the Company's investment in its subsidiary undertaking has been recorded in the year following the decision to cease trading in its indirect subsidiaries forming the Allvotec/ISG operational division in the year.

Notes to the Company financial statements (continued)

C5. INCOME TAX

	Year ended 31 March 2023 £'000	Period ended 31 March 2022 £'000
Total tax	-	-

The tax for the year can be reconciled to the loss from the income statement as follows:

	Year ended 31 March 2023 £'000	Period ended 31 March 2022 £'000
Loss before tax	(270,839)	-
Loss before tax at 19% (2022: 19%)	(51,459)	-
Tax effect of non-deductible expenses	51,459	-
Total tax	-	-

C6. FIXED ASSET INVESTMENTS

	Note	Investments £'000
Cost or valuation		
At 1 April 2022 and 31 March 2023		311,722
Impairment		
At 1 April 2022		-
Charge for the year	C4	270,839
At 31 March 2023		270,839
Net book amount		
At 31 March 2023		40,883
At 31 March 2022		311,722

At 31 March 2023 the Company's direct investment in subsidiary undertaking was as follows:

Name	Percentage of issued share capital held	Principal business activity
Daisy Group Holdings 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.

Notes to the Company financial statements (continued)

C7. SHARE CAPITAL AND SHARE PREMIUM

The Company has the following issued and fully paid shares:

	Number of shares	Par value £	Share capital £
Ordinary	1	1.00	1
A Ordinary	335,343	8.05	2,699,511
B Ordinary	385,858	8.05	3,106,157
C1 Ordinary	50,000	8.05	402,500
C2 Ordinary	58,850	8.05	473,743
E Ordinary	27,000	8.05	217,350
F1 Ordinary	1,800	35.00	63,000
F3 Ordinary	10,800	35.00	378,000
Preferred 2014 Ordinary	134,063,499	0.0001	10,725
Preferred 2019 Ordinary	163,284,784	0.0001	13,063
At 31 March 2023	298,217,935		7,364,050

	Number of shares	Par value £	Share capital £
Ordinary	1	1.00	1
A Ordinary	335,343	8.05	2,699,511
B Ordinary	385,858	8.05	3,106,157
C1 Ordinary	50,000	8.05	402,500
C2 Ordinary	58,850	8.05	473,743
E Ordinary	27,000	8.05	217,350
F1 Ordinary	10,800	35.00	378,000
F3 Ordinary	10,800	35.00	378,000
Preferred 2014 Ordinary	134,063,499	0.0001	10,725
Preferred 2019 Ordinary	163,284,784	0.0001	13,063
At 31 March 2022	298,226,935		7,679,050

On 20 December 2022, Daisy Holdco Limited repurchased 900 F1 Ordinary Shares for a consideration of £1. These shares were subsequently cancelled.

On 19 January 2023, Daisy Holdco Limited repurchased 8,100 F1 Ordinary Shares for a consideration of £1. These shares were subsequently cancelled.

Subsequent to the year end on 28 June 2023, Daisy Holdco Limited repurchased 13,550 C2 Ordinary Shares for a consideration of £4, 27,000 E Ordinary Shares for a consideration of £2, 1,800 F1 Ordinary Shares for a consideration of £2 and 10,000 F3 Ordinary Shares for a consideration of £2. These shares were subsequently cancelled.

C8. RELATED-PARTY TRANSACTIONS

Details of related party transactions with the Company are provided in note 34 of the Group financial statements. The Company has undertaken transactions with wholly-owned fellow members of the Daisy Holdco Limited group. Such transactions are exempt from disclosure under FRS 102.

C9. POST BALANCE SHEET EVENTS

Details of the post balance sheet events affecting the Company have been included in note 36 of the Group financial statements.

Advisors

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BANKERS

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