Company Registration No. 11331835 (England and Wales)

Parent of 01428395
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TOKYO TOPCO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2019

TOKYO TOPCO LIMITED
COMPANY INFORMATION

Directors	Mr S A Davey Mr N A Deman Mr L A Kingston Mr T W M Maizels Mr S Smythe
Company number	11331835
Registered office	59 Imperial Way Croydon Surrey CR0 4RR United Kingdom
Auditor	Nexia Smith & Williamson 25 Moorgate London EC2R 6AY

TOKYO TOPCO LIMITED
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TOKYO TOPCO LIMITED
STRATEGIC REPORT

FOR THE PERIOD ENDED 31 MARCH 2019

The directors present their first Group Strategic Report for Tokyo Topco Limited and its subsidiaries for the period from incorporation on 26 April 2018 to 31 March 2019.

Background and Principal Activities

Tokyo Topco Limited (the "Company") was incorporated on 26 April 2018 to act as a holding company for the acquisition of DMC Business Machines Limited and its subsidiaries (the "DMC Group" or "DMC") which took place on 6 July 2018. Tokyo Topco Limited and its subsidiaries are hereafter referred to as the "Tokyo Group" or "Group".

The principal activity of the Group is Managed Print Services ("MPS"), being the sale, hire and service of business machines.

The financial statements in this report present the performance of the Group from the date of the Company's acquisition of DMC in July 2018 until 31 March 2019, to align the holding companies with the DMC Group companies. It contains no comparatives as it is the first year of consolidation within Tokyo Topco Limited. The Board uses consolidated management accounts prepared for the 12 month period ending 31 March 2019, including comparatives for the prior year, to interpret and analyse performance.

Business Review

Following the investment by Horizon Capital (previously Lyceum Capital) in July 2018, the Group has continued to trade positively and the high-level of service provided across the UK has helped the business renew contracts with existing clients in line with the Board's expectations, and secure long-term contracts with 58 new customers including businesses within the FTSE 100.

The Board is unanimous in its view that customer service should remain the Group's primary focus and therefore the recruitment of senior staff into key roles alongside investment in business systems are both high priorities. The Board measures service standards in several different ways including average response times to customers and during the year these were consistently better than our service level agreements with customers.

The Group's core business is managed services of which MPS is a significant proportion with an average of 6,196 machines in the field (MIF) during the year. Statutory turnover for the period was £16.6m, in line with the directors expectations. The table below shows the pro-forma turnover of the Group for the two years ending 31 March 2018 and 2019, excluding the distribution division, Canotec London Limited, which was hived out of DMC at the time of Horizon's investment.

Pro-forma financial information for the year ending 31 March

	2018	2019	Growth
	£'000	£'000	%
MPS Revenues	17,955	18,565	3.4
Telco Revenues	1,273	2,054	61.3
IT Revenues	811	870	7.3
	20,039	21,489	7.2

Growth in Telco revenues was driven by the acquisition of Hobbs Parker 2000 Ltd in June 2019 which was successfully integrated into the existing Telco division and has been rebranded as DMC Technologies.

Gross margin fell 1.2% to 55.3% (year ended 31 March 2018: 56.5%) on higher revenues between 2018 and 2019. The operating loss for the period for the period was £2.7m, but pro-forma Group Trading EBITDA[1] for the year ended 31 March 2019 rose to £4.4m (year ended 31 March 2018: £4.2m).

The Board is delighted with the progress made in the year and is confident in the Group's future outlook.

[1] Trading EBITDA is measured as earnings from continuing operations before costs relating to Horizon's investment in the Group, transaction fees, restructuring costs, interest, taxation, depreciation, and amortisation of intangibles.

Strategy

The strategy of the Group is to grow by winning new clients and selling more products and services to existing clients. This will be complemented with an acquisition plan to consolidate a fragmented and resilient industry whilst maintaining strong levels of customer service to aid customer retention.

The Board will remain very selective and acquire only high-quality assets with strong levels of recurring revenue; robust customer contracts; high standards of service; and excellent staff - U.C.O.S Holdings Ltd (United Carlton), which was acquired after year-end, met all these key criteria and the ongoing integration of this business into DMC is ahead of schedule.

The Board intends to acquire additional businesses to help secure its position as the leading MPS business in the UK.

Principal Risks and Uncertainties

The Group successfully upgraded its ISO 9001 accreditation to version 2015 during the year, which is a testament to the quality of management and systems around the business. A culture of continued improvement across the business exists to help ensure the Group meets the objectives of all stakeholders.

Acquisition Risk

The expansion of the Group through acquisition carries inherent risk. The development of the senior team including the appointment of a Chief Financial Officer and M&A Director since Horizon Capital's investment, alongside a robust selection and approval process for acquisition opportunities will help mitigate associated risks.

Operational Risk

The Board has committed to investing in the Group's IT infrastructure including the implementation of a new ERP system, which will enable the business to scale efficiently. The project is governed closely by the Group's IT Steering Committee and the Board.

Supplier Risk

The Group's principal supplier in the year was Canon with whom the Group has an excellent relationship. The acquisition of United Carlton adds another leading OEM, Sharp, into the supply chain and dilutes the associated risk for both businesses and therefore the broader Group.

Economic Risk

The ongoing uncertainty relating to Brexit continues to be discussed by the Board and plans have been put in place to ensure the business can provide an excellent service to its customers in the event of a 'no-deal' Brexit.

Key Performance Indicators (KPIs)

KPIs are used throughout the business to monitor performance at individual, team, divisional and Board levels on a monthly basis. KPIs include:

- Revenue
- Machines in Field
- Engineering Performance
- Gross Margin
- Client Retention
- New Business
- EBITDA

Mr S A Davey
Director
27 September 2019

TOKYO TOPCO LIMITED
STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

The directors present their annual report and financial statements for the period ended 31 March 2019.

Results and dividends
The loss for the year after taxation was £4,830,000.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Directors
The directors who held office during the period and up to the date of signature of the financial statements were as follows:

Mr S A Davey	(appointed 6 July 2018)
Mr N A Deman	(appointed 5 April 2019)
Mr L A Kingston	(appointed 6 July 2018)
Mr T W M Maizels	(appointed 6 July 2018)
Mr S Smythe	(appointed 6 July 2018)
Mr J E D Hill	(resigned 5 April 2019)
Mr R Wiley	(resigned 6 July 2018)

Subsequent events and future developments
Subsequent to the year end the group acquired the share capital of U.C.O.S Holdings Limited for cash consideration of £13,363,485 , predominantly funded by the drawn down of £12,500,000 of bank debt from the Group's existing facilities.

Disclosure of information to the auditors
In the case of each person who was a director at the time this report was approved:

- so far as that director was aware there was no relevant audit information of which the company and group's auditor was unaware; and
- that director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company and group's auditor was aware of that information.

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

Information has been included in the Strategic Report that would have otherwise been included in the Directors' Report in accordance with S414c of the Companies Act 2006

Auditor
The auditor, Nexia Smith & Williamson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board

Mr S A Davey
Director
27 September 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TOKYO TOPCO LIMITED

Opinion

We have audited the financial statements of Tokyo Topco Limited (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 March 2019 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the company balance sheet, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Annual Report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

TO THE MEMBERS OF TOKYO TOPCO LIMITED

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 4 , the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

TO THE MEMBERS OF TOKYO TOPCO LIMITED

Use of our report

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

Nick Jacques (Senior Statutory Auditor) for and on behalf of
Nexia Smith and Williamson

27 September 2019

Statutory Auditor
Chartered Accountants

25 Moorgate,
London
EC2R 6AY

TOKYO TOPCO LIMITED
GROUP PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 31 MARCH 2019

	Note	2019 £ '000
Turnover	**3**	16,621
Cost of Sales		(7,662)
Gross profit		8,958
Administrative expenses		(12,049)
Other operating income	**4**	327
Operating loss	**5**	(2,764)
Interest payable and similar expenses	**9**	(2,339)
Loss before taxation		(5,103)
Taxation	**10**	273
Loss for the financial year attributable to owners of the parent		(4,830)

TOKYO TOPCO LIMITED
GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 MARCH 2019

	2019 £ '000
Loss for the year	(4,830)
Other comprehensive income	-
Total comprehensive income for the year	(4,830)
Total comprehensive income for the year is attributable to owners of the parent company	(4,830)
	(4,830)

TOKYO TOPCO LIMITED
CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2019

	Notes	2019 £ '000	2019 £ '000
Fixed assets			
Intangible assets	11		25,150
Tangible assets	12		513
			25,663
Current assets			
Stocks	14	3,477	
Debtors	15	7,393	
Cash at bank and in hand	16	1,835	
		12,705	
Creditors: amounts falling due within one year	17	(8,798)	
Net current assets			3,907
Total assets less current liabilities			29,570
Creditors: amounts falling due after more than one year	18		(21,236)
Provision for liabilities Deferred tax	21		(682)
Net assets			7,652
Capital and reserves			
Share capital	24		11,572
Share premium account			913
Other reserves			(3)
Retained earnings			(4,830)
Total equity			7,652

TOKYO TOPCO LIMITED
GROUP BALANCE SHEET (CONTINUED)

AS AT 31 MARCH 2019

The financial statements were approved by the board of directors and authorised for issue on 27 September 2019 and were signed on its behalf by:

Mr S A Davey
Director
27 September 2019

Mr Mr N A Deman
Director
27 September 2019

TOKYO TOPCO LIMITED
COMPANY BALANCE SHEET

Company Registration No. 11331835

AS AT 31 MARCH 2019

	Notes		2019
			£ '000
Investments			-
Current assets			
Debtors	**15**	17,136	
		17,136	
Creditors: amounts falling due within one year	**17**	(2,814)	
Net current assets			14,322
Total assets less current liabilities			14,322
Creditors: amounts falling due after more than one year	**18**		(1,738)
Net assets			12,584
Capital and reserves			
Share capital	**24**		11,572
Share premium account			913
Retained earnings			99
Total equity			12,584

The company's profit for the period ended 31 March 2019 was £99,148.

The financial statements were approved by the board of directors and authorised for issue on 27 September 2019 and are signed on its behalf by:

Mr S A Davey
Director

Mr Mr N A Deman
Director

TOKYO TOPCO LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Share capital £' 000	Share premium account £' 000	Retained earnings £' 000	Total £' 000
Balance as at 26 April 2018				
Loss for the period	-	-	(4,830)	(4,830)
Total comprehensive income	-	-	(4,830)	(4,833)
Issue of shares	11,572	913	-	12,485
Other reserves movement	-	-	(3)	(3)
Balance at 31 March 2019	11,572	913	(4,833)	7,652

TOKYO TOPCO LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 MARCH 2019

	Share capital	Share premium account	Retained earnings	Total
	£' 000	£' 000	£' 000	£' 000
Balance as at 26 April 2018				
Profit for the period	-	-	99	99
Issue of shares	11,572	913	-	12,485
Balance at 31 March 2019	11,572	913	99	12,584

TOKYO TOPCO LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 MARCH 2019

	Notes	£	2019 £
Net cash generated from operating activities			
Net cash generated from operations	29		4,467
Interest paid			(4)
Income taxes paid			(360)
Net cash inflow from operating activities			4,103
Investing activities			
Acquisition of subsidiary, net of cash acquired		(33,031)	
Purchase of intangible assets		(87)	
Purchase of tangible fixed assets		(423)	
Net cash used in investing activities			(33,541)
Financing activities			
Redemption of shares		(7)	
Purchase of own shares		(1,599)	
Proceeds from issue of share capital		12,485	
Proceeds from issue of preference shares		3,477	
Loans to related parties		(2,327)	
Receipt of bank loans		10,389	
Receipt of loan notes		8,855	
Net cash generated from financing activities			31,273
Net increase in cash and cash equivalents			1,835
Cash and cash equivalents at beginning of year			-
Cash and cash equivalents at end of year	16		1,835

TOKYO TOPCO LIMITED
CONSOLIDATED ANALYSIS OF NET DEBT

FOR THE PERIOD ENDED 31 MARCH 2019

	Cash flows £'000	Acquisition of subsidiaries £'000	At 31 March 2019 £'000
Cash at bank and in hand	34,866	(33,031)	1,835
Debt due after more than one year	(21,373)	(12)	(21,385)
	13,493	(33,043)	(19,550)

1 Accounting policies

The principal accounting policies adopted are set out below.

Basis of preparation

Tokyo Topco Limited ("the company") is a private limited company, limited by shares, incorporated in England and Wales. The address of the registered office is 59 Imperial Way, Croydon, England, CR0 4RR.

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets in accordance with the group's accounting policies.

The Company has elected to apply all amendments to FRS 102, as set out in the triennial review published in December 2017, prior to the mandatory adoption for accounting periods beginning on or after 1 January 2019.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 2).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

Exemptions under the reduced disclosure framework

The parent company has taken advantage of the following exemptions available under FRS 102:

- the exemption from preparing a statement of cash flows; and
- reduced disclosures for financial instruments (as equivalent disclosures have been given in the consolidated financial statements presented alongside the parent company's own financial statements).

Going concern

After making enquiries of senior management and reviewing cashflow forecast, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus the directors have adopted the going concern basis of accounting in preparing the financial statements.

Basis of consolidation

The group financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) prepared to 31 March. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in profit or loss 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 the group.

The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 from publishing its individual income statement, statement of other comprehensive income and related notes.

1 Accounting policies (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group.

The cost of a business combination is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group in exchange for control and the costs directly attributable to the business combination. The consideration transferred includes the estimate of any asset or liability resulting from a contingent consideration arrangement where the transfer of further consideration is probable and can be measured reliably. Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date. Contingent liabilities are only recognised where the fair value can be measured reliably.

The group measures goodwill at the acquisition date as the excess of the cost of the business combination over the acquirer's interest in the net amount of the identifiable assets, liabilities and contingent liabilities recognised. Subsequently goodwill is amortised on a straight line basis over its useful life of 10 years.

When the excess is negative, the negative goodwill arising is recognised separately on the face of the balance sheet and released up to the fair value of the non-monetary assets as the non-monetary assets are recovered and otherwise in the periods expected to be benefited.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured
- reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

1 Accounting policies (continued)

Intangible assets

Separately acquired intangible assets are initially recognised at cost and are subsequently amortised over their useful economic lives.

Intangible assets acquired in a business combination are recognised separately from goodwill when it is probable that the expected future economic benefits that are attributable to the asset will flow to the group and the asset is separable or arises from contractual or other legal rights. Such intangibles are initially recognised at fair value at the date of acquisition and are subsequently amortised over their useful economic lives.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Leasehold	25% reducing balance and 10 years straight line
Leasehold improvements	Over 10 years
Fixtures, fittings & equipment	25% Straight Line
Computer equipment	25% Reducing Balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

Fixed asset investments

Investments in subsidiaries are initially measured at cost less any accumulated impairment losses. A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash at bank and in hand are classified as basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1 Accounting policies (continued)

Financial instruments

Financial assets and liabilities are recognised in the group's Balance Sheet when the group becomes party to the contractual provisions of the instrument.

Financial liabilities and equity instruments issued by the group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

Taxation

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

Current tax

The current tax charge is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for timing differences arising on investments in subsidiaries, 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 that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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

Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

1 Accounting policies (continued)

Retirement benefits

The Group operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the period they are payable in accordance with the rules of the scheme.

Differences between contributions payable in the year and those actually paid are shown in other creditors.

Leases

Group as a lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Group as a lessor

Rental income from operating leases is recognised on a straight-line basis over the lease term. Initial direct costs in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. Benefits given as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Foreign currency

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Gains and losses arising on translation are included in the statement of comprehensive income.

2 Judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with the generally accepted accounting practice requires management to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

2 Judgements and key sources of estimation uncertainty (continued)

Judgements

Financial instrument classification

The company has issued three different classes of preference share, A preference, B preference and L preference which have different rights. Based on the rights attaching to those shares, the A and L preference shares have been classified as components of equity and the B preference shares as a financial liability. See note 18 for Creditors falling due after more than one year and note 24 for Share Capital.

Debtors

At each reporting date and throughout the year, the Group's debtor balance is reviewed to identify any impairment required, and specific provisions are made against this balance. At 31 March 2019 no balances were identified as requiring a provision. See note 15 for trade debtors.

Estimates

Intangible assets

Key estimates and judgements are applied in establishing the useful lives and residual values of intangibles.

Management concluded that the useful life of customer contracts acquired was two years based on an analysis of the contracts. Management do not believe any intangibles have been impaired in the period. See note 11 for intangible assets.

3 Turnover

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

	2019
	£' 000
Turnover analysed by class of business	
Sale of goods	3,373
Rendering of services	13,248
	16,621

	2019
	£' 000
Turnover analysed by geographical market	
UK	16,621
	16,621

4 Other operating income

	2019 £' 000
Management charge under transitional services	327
	327

5 Operating loss

	£' 000
Operating loss for the period is stated after charging/(crediting):	
Exchange (gains)	(3)
Depreciation of tangible fixed assets	48
Amortisation of intangible assets	4,953
Cost of stocks recognised as an expense	7,662
Operating lease payments recognised	441

6 Auditor's remuneration

	2019 £' 000
Fees payable to the company's auditor and associates:	
For audit services	
Audit of the financial statements of the group and company	22
Audit of the financial statements of the company's subsidiaries	43
Audit - related assurance services	3
Account preparation	5
	73

7 Staff Costs

The average number of persons (including directors) employed by the group and company during the year was:

	2019 **Number**
Sales	21
Administration	131
	152

Staff cost for the above persons were:

	2019 **£'000**
Wages and salaries	4,724
Social security costs	534
Pension costs	122
	5,380

8 Directors' remuneration

Directors' remuneration comprised:	**2019** **£'000**
Aggregate emoluments	318
Company pension contributions to defined contribution schemes	2
	320

	2019 **£' 000**
Highest paid directors' remuneration comprised: Aggregate emoluments	150

Retirement benefits are accruing to 2 directors under the group's defined contribution scheme.

9 Interest payable and similar expenses

	2019 £' 000
Interest payable on financial liabilities measured at amortised cost:	
Bank overdrafts and loans	1,485
Preference share dividends	852
Interest on finance leases and hire purchase contracts	2
	2,339

10 Taxation

	2019 £' 000
Current tax	
UK corporation tax on profits for the current period	(290)
Deferred tax	
Origination and reversal of timing differences	563
Total tax credit	273

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	2019 £' 000
Loss before taxation	(5,103)
Tax on profit on ordinary activities at standard UK corporation tax rate of 19.00% :	970
Effects of :	
Expenses not allowable for taxation	(631)
Tax rate changes	(66)
Total Taxation charge for the year	273

11 Intangible fixed assets

	Customer contracts £' 000	Purchased Goodwill £' 000	Software £' 000	Total £' 000
Cost				
At 26 April 2018	-	-	-	-
Acquisition of operations	7,260	22,755	-	30,015
Additions	-	-	87	87
At 31 March 2019	7,260	22,755	87	30,102
Amortisation				
At 26 April 2018	-	-	-	-
Amortisation charged for the year	3,479	1,473	-	4,952
	3,479	1,473	-	4,952
Net book value				
At 31 March 2019	3,781	21,282	87	25,150

12 Tangible fixed assets – Group and Company

Group	Land and buildings Leasehold	Leasehold improvements	Fixtures, fittings & equipment	Computer equipment	Motor vehicles	Plant and Machinery	Total
	£' 000	£' 000	£' 000	£' 000	£' 000	£' 000	£' 000
Cost							
At 26 April 2018							
Acquired with subsidiary	33	90	209	22	55	104	513
Additions	-	-	271	128	-	24	423
At 31 March 2019	33	90	480	150	55	128	936
Depreciation							
At 26 April 2018							
Acquired with subsidiary	33	18	204	20	27	71	373
Charge for the period	-	7	12	8	8	15	50
At 31 March 2019	33	25	216	28	35	86	423
Net Book Value							
At 31 March 2019	-	65	264	122	20	42	513

13 Investments – Company

Details of the Group's subsidiaries at 31 March 2019 are as follows:

Name of undertaking	Country of incorporation	Nature of business	Class of shares held	% of voting rights
Tokyo Holdco Limited	UK	Holding company	Ordinary	100
Tokyo Midco Limited	UK	Holding company	Ordinary	100
Tokyo Bidco Limited	UK	Holding company	Ordinary	100
DMC Business Machines Limited	UK	Sale, hire and service of business machines and consumables	Ordinary, Ordinary D,	100
Canotec South West Limited	UK	Supply and maintenance of office machines	Ordinary A	100
Faverglen Limited	UK	Holding company	Ordinary	100
First Office Holdings Limited	UK	Holding company	Ordinary	100
Buscom Limited	UK	Dormant	Ordinary	100
Canotec Limited	UK	Dormant	Ordinary	100
DMC Technologies Limited	UK	Sale, hire and service of business machines and consumables	Ordinary A, B & C	100
Hobbs Parker 2000 Limited	UK	other telecommunications activities	Ordinary A & B	100

The registered office of Tokyo Holdco Limited, Tokyo Midco Limited and Tokyo Bidco Limited is 59 Imperial Way, Croydon, Surrey, CRO 4RR, United Kingdom.

The registered office of the remaining subsidiaries listed above is Kings Parade, Lower Coombe Street, Croydon, Surrey, CR0 1AA.

Cost or Valuation	Shares in group undertakings £
At 26 April 2018	-
Additions	1
At 31 March 2019	1

14 Stocks

	Group **2019** **£' 000**	Company **2019** **£' 000**
Finished goods and goods for resale	3,477	-

15 Debtors

	Group **2019** **£' 000**	**Company** **2019** **£' 000**
Trade debtors	3,124	-
Amounts due from group undertakings	-	14,809
Other debtors	2,896	2,327
Prepayments and accrued income	1,373	-
	7,393	17,136

16 Cash and cash equivalents

	Group **2019** **£' 000**	**Company** **2019** **£' 000**
Cash at Bank	1,835	-

17 Creditors: amounts falling due within one year

	Notes	Group 2019 £' 000	Company 2019 £' 000
Other borrowings	19	125	-
Trade creditors		2,557	-
Corporation tax		190	223
Other taxation and social security		778	-
Other creditors		113	-
Accruals and deferred income		3,297	853
Preference Shares		1,738	1,738
		8,798	2,814

18 Creditors: amounts falling due after more than one year

		Group 2019 £' 000	Company 2019 £' 000
Borrowings	19	19,486	-
Preference Shares		1,738	1,738
Obligations under finance leases	20	12	-
		21,236	1,738

19 Borrowings

	Group 2019 £' 000	Company 2019 £' 000
Loan notes	8,855	-
Bank loan	10,631	-
Other loans	125	-
	19,611	-
Payable within one year	125	-
Payable after one year	19,486	-
	19,611	-

19 Borrowings (continued)

The bank loan is secured by a debenture over the assets of the group and a legal mortgage over the group's properties. The bank loan is repayable by 5th July 2025. Interest is payable at the rate of LIBOR plus a margin percentage which is currently at 4%. The margin is adjusted based on leverage and ranges between 3.5% to 4.5%.

The loan notes are unsecured, and are payable in the event of a listing or trade sale.
Cumulative interest accrues at a rate of 10% per year and is payable when the loan notes are repaid.

20 Finance lease obligations

	Group 2019 £' 000	Company 2019 £' 000
Future minimum lease payments due under finance leases:		
Within one year	-	-
In two to five years	12	-
	12	-

21 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset):

Group	Liabilities 2019 £' 000	Assets 2019 £
Fixed asset timing differences	(40)	-
Short term timing differences	(642)	-
Intangibles		
	(682)	

Company	Liabilities 2019 £' 000	Assets 2019 £' 000
Capital allowances		

21 Deferred taxation (continued)

	Group 2019 £' 000	Company 2019 £' 000
Movements in the year:		
Liability at 26 April 2018	-	-
Credit to profit or loss	682	-
Liability at 31 March 2019	682	-

Factors that may affect future tax charges
A reduction in the UK corporation tax rate from 20% to 19% was substantively enacted in July 2015 and took effect from 1 April 2017. A further reduction in the UK corporation tax rate to 17% from 1 April 2020 was substantively enacted in September 2016 and is likely to affect the future tax charge.

22 Financial instruments

	Group 2019 £' 000	Company 2019 £' 000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	7,393	17,136
Carrying amount of financial liabilities		
Measured at amortised cost	30,401	4,552

23 Retirement benefit schemes

Defined contribution schemes	Group 2019 £' 000	Company 2019 £' 000
Charge to profit and loss in respect of defined contribution schemes	122	-

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund. At year end £22,861 is outstanding and included in other creditors.

24 Share capital

	Group 2019 £' 000
Ordinary share capital	
Issued and fully paid	
780,630 Ordinary 'A' Shares of 1p each	8
141,720 Ordinary 'B' Shares of 1p each	1
4,029,382 Preference 'A' Shares of £1 each	4,029
7,533,445 Preference 'L' Shares of £1 each	7,534
	11,572

All share capital was issued during the current financial period.

A and B ordinary shares are voting shares and carry rights to receive dividends. A and L preference are non-voting and carry the right to a fixed cumulative preferential dividend at the rate of 10 per cent. per annum subject to certain conditions being met.

25 Reserves

Share premium account

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at an amount in excess of nominal value.

Retained earnings

Retained earnings reflects the entity's accumulated earnings less dividends paid and payable.

26 Acquisition of subsidiary

On 6 July 2018, the Tokyo Topco group obtained control of DMC Business Machines Limited through the purchase of 100% of the share capital of that company. DMC Business Machines Limited's principal activity is the sale, hire and service of business machines and consumables.

Goodwill on the purchase of DMC Business Machines Limited is considered to have a useful life of ten years.

Net assets acquired:	**Book value**	**Adjustments**	**Amounts recognised at acquisition date**
	£'000	**£'000**	**£'000**
Intangible assets - customer contracts	-	7,260	7,260
Tangible assets	139	-	139
Stock	3,005	-	3,005
Trade and other debtors	7,474	-	7,474
Cash at bank and in hand	2,747	-	2,747
Trade and other creditors	(6,857)	(134)	(6,991)
Deferred tax liabilities	(9)	(1,095)	(1,104)
	6,499	6,031	12,530
Goodwill			22,755
Total consideration			35,285
Satisfied by:			
Cash			35,285

Adjustments arising on acquisition relate to the separate recognition of intangible assets and correction of accruals.

DMC Business Machines Limited contributed £15,165,695 to the group's revenue and £2,010,746 to the group's profit after tax for the period from the date of acquisition to the balance sheet date.

Goodwill on the purchase of DMC Business Machines Limited is attributable to valuable customer lists and non-contractual customer relationships which DMC Business Machines Limited will bring to the group.

27 Operating lease

Lessee

At the reporting end date, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2019 £' 000	Company 2019 £' 000
Within one year	401	-
Between two and five years	703	-
In over five years	58	-
	1,079	-

Lessor

The group leases out a number of multi-functional devices to customers under non-cancellable operating leases for the following future minimum lease payments. There are no contingent rents.

	Group 2019 £' 000	Company 2019 £' 000
Within one year	123	-
Between two and five years	241	-
In over five years	-	-
	364	-

28 Related party transactions

The parent company has provided a guarantee exempting the following subsidiaries from the requirements of audit under section 479A of the Companies Act 2006 relating to subsidiary companies:

First Office Holdings Limited Registered in England and Wales Reg No. 3760206
Buscom Limited Registered in England and Wales Reg No. 03794969
Faverglen Limited Registered in England Wales Reg No: 01428393
Canotec Limited Registered in England Wales Reg No: 02765960
First Office Holdings Limited Registered in England and Wales Reg No. 3760206

Remuneration of key management personnel of the group who are also directors, is as follows

	Group 2019 £' 000	Company 2019 £' 000
Aggregate compensation	270	-

During the year costs were incurred with a shareholder of the Group totalling £602,000. Part of the costs incurred relate to the issue of debt and equity instruments during the period. Those costs have been amortised over the expected useful life to which the instruments relate.

During the year loan notes were issued to shareholders of the Group totalling £8,855,000. Interest has been accrued at 10%, the total interest recognised in the period was £653,000.

In March 2019 the Company made a short-term loan to a shareholder of £2,364,000 which was outstanding at 31 March 2019, but has since been repaid in full.

The Company has taken advantage of the exemption in FRS102 Section 33 “Related Party Disclosures” form disclosing transactions with other members of the Group.

29 Cash generated from operating activities

	2019 £'000
(Loss) for the period after tax	(4,830)
Taxation credit	(273)
Interest payable	2,339
Amortisation charge	4,953
Depreciation charge	49
(Increase) in stock	(343)
Decrease in debtors	2,428
Increase in creditors	144
Cash generated from operations	4,467

30 Controlling party

The company's immediate and ultimate parent company at the balance sheet date is Horizon Capital DMC LLP a private limited partnership registered in England.

31 Events after the reporting date

Subsequent to the year end the group acquired the share capital of U.C.O.S Holdings Limited for cash consideration of £13,363,485.