**REGISTERED NUMBER: 09642098 (England and Wales)**

# Revised Group Strategic Report

# Report of the Directors and Audited

# Consolidated Financial Statements

# for the Year Ended 31 March 2022

# for

# CB-SDG Midco Limited

# REVISED

**(Registered number 09642098)**

**Group Strategic Report, Report of the Directors and Audited Consolidated Financial Statements - Revision by Supplementary Note**

For the Year Ended 31 March 2022

**CB-SDG Midco Limited**

Notes to the Consolidated Financial Statements for the Year Ended 31 March 2022.

**Revision by Supplementary Note of Note 15 – Investments**

The Company has revised the 31 March 2022 Group Strategic Report, Report of the Directors and Audited Consolidated Financial Statements by supplementary note.

Note 15, Investments company, has been amended to include the following notice:-

> The below subsidiary companies are exempt from audit under Section 479A of the *Companies Act 2006*:-
>
> BIS Limited – Companies House number 04037250
> Six Degrees Investments Limited – Companies House number 07652542
> Six Degrees Property Limited – Companies House number 07623054
> Six Degrees Technology Limited – Companies House number 07623061

This supplementary note is added to the disclosures in Note 15, Investments. There are no other *revisions to the note.*

In accordance with The Companies (Revision of Defective Accounts and Reports) Regulations 2008 4(2)(b):

a) This note revises in certain respects the original annual accounts of the Company and is to be treated as forming part of those accounts; and

b) The annual accounts have been revised as the date of the annual accounts (26 September 2022) and not as the date of revision (30 March 2023) and accordingly do not deal with events between those dates.

This supplementary note has been approved by the Board of Directors on 30 March 2023 and signed on its behalf by:

**D Manuel**
Director

# Independent auditors' report to the members of CB-SDG Midco Limited

## Report on the audit of the revised financial statements

### Opinion

In our opinion, CB-SDG Midco Limited's revised group financial statements and revised company financial statements (the revised "financial statements").

- give a true and fair view, seen as at the date the original financial statements were approved, of the state of the group's and of the company's affairs as at 31 March 2022 and of the group's loss and the group's cash flows for the year then ended;
- 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) seen as at the date the original financial statements were approved; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as they have effect under the Companies (Revision of Defective Accounts and Reports) Regulations 2008.

We have audited the revised financial statements, included within the Revised Group Strategic Report, Report of the Directors and Audited Consolidated Revised Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 31 March 2022; the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the revised financial statements, which include a description of the significant accounting policies and which replace the original financial statements approved by the directors on 26 September 2022. The revised financial statements have been prepared under the Companies (Revision of Defective Accounts and Reports) Regulations 2008 and accordingly do not take account of events which have taken place after the date the original financial statements were approved.

### 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 revised 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 revised 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.

### Emphasis of matter - revision of note 15

In forming our opinion on the revised financial statements, which is not modified, we have considered the adequacy of disclosures made in the attached supplementary note concerning the need for revision of note 15 because of the omission of a statement naming the company's subsidiaries that are exempt from audit under section 479A of the Companies Act 2006 . The original financial statements were approved on 26 September 2022, and our previous auditors' report was signed on that date. We have not performed a subsequent events review for the period from the date of our previous auditors' report to the date of this report.

## 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 original financial statements were authorised for issue.

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

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

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

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the revised financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the revised financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the revised financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the revised 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 revised 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 Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

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

### Strategic report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 March 2022 is consistent with the revised 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 Report of the Directors.

## Responsibilities for the revised financial statements and the audit

### Responsibilities of the directors for the revised financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the revised financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of revised financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditors' responsibilities for the audit of the revised financial statements

Our objectives are to obtain reasonable assurance about whether the revised 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 revised financial statements.

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax compliance and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the revised financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the revised financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Performing procedures over risky journal entries;
- Challenging assumptions made by management in determining their judgements and accounting estimates; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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 revised 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 auditors' responsibilities for the audit of financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report. In the context of any audit of revised financial statements, in respect of our conclusion relating to going concern, we are only required to consider audit evidence up to the date of our original auditors' report. In other respects, this description forms part of our auditors' report.

We are also required to report on whether in our opinion the original financial statements failed to comply with the requirements of the Companies Act 2006 in respects identified by the directors. The audit of revised financial statements includes the performance of procedures to assess whether the revisions made by the directors are appropriate and have been properly made.

### 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 (Revision of Defective Accounts and Reports) Regulations 20086 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

# Other required reporting

## Opinion prescribed by the Companies (Revision of Defective Accounts and Reports) Regulations 2008

The original financial statements for the year ended 31 March 2022 failed to comply with the requirements of the Companies Act 2006 in the respects identified by the directors in the supplementary note to these revised financial statements.

## 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 revised company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Jennifer Dickie

Jennifer Dickie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 March 2023

## Contents of the Consolidated Financial Statements for the Year Ended 31 March 2022

CB-SDG Midco Limited

Company Information
for the Year Ended 31 March 2022

| | |
|---|---|
| **DIRECTORS:** | S Crawley-Trice<br>M McGuire<br>D Manuel |
| **REGISTERED OFFICE:** | Commodity Quay<br>St Katharine Docks<br>London<br>E1W 1AZ |
| **REGISTERED NUMBER:** | 09642098 (England and Wales) |
| **INDEPENDENT AUDITORS:** | PricewaterhouseCoopers LLP<br>Chartered Accountants and Statutory Auditors<br>1 Embankment Place<br>London<br>WC2N 6RH |
| **SOLICITORS:** | Squire Patton Boggs LLP<br>2 Park Lane<br>Leeds<br>LS3 1ES |

The Directors present their strategic report, the report of the Directors and the consolidated financial statements of CB-SDG Midco Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31 March 2022.

**REVIEW OF BUSINESS**

Throughout the period under review, the Group has retained focus on achieving its objective of being the market-leading provider of secure cloud-led converged managed services to UK-based SME's. In order to continually strive towards this objective, the Group works as a collaborative technology partner by offering market-facing, tailor made solutions that enable our clients' to deliver for their customers and assist them in making a digital transformation.

During the year the Group undertook a strategic review. This strategic review resulted in a number of actions: -

- Recruitment of a new CEO, Simon Crawley-Trice, and the enhancement and expansion of the Executive team.
- Development of a new three-year plan focused around repositioning the Group to take advantage of high growth segments of the MSP market space being Public Cloud, Cyber Security and Agile Workspace.
- Securing of additional funds to invest in the business through a mix of equity investment from Charlesbank and the sale and leaseback of one of the Group's properties.
- Investment in additional sales and service deliver management capability.
- Launch of a multi-year transformation plan which will enable the delivery of the three-year plan. This transformation included changes in organisation, process, products, systems, tools and people.
- Reset of the covenants attached to the senior facility agreement which is the Group's main debt facility.

**KEY PERFORMANCE INDICATORS**

The directors use key performance indicators (KPIs) to monitor and assess the Group's performance. The figures in the table below outline the performance of the Group for the year ended 31 March 2022 and for the comparative year ended 31 March 2021.

The principal KPIs are as follows:

| | **2022**<br>**£'000** | 2021<br>£'000 |
|---|---|---|
| Turnover | 81,416 | 83,995 |
| Gross profit | 43,730 | 48,907 |
| Earnings before interest, taxation, depreciation, amortisation, and exceptional items ('EBITDAE') | 14,418 | 21,057 |
| Increase /(decrease) in cash and cash equivalents | 32,173 | (11,137) |
| Liquidity | 36,049 | 3,876 |

Although the business has begun to recover from the impact of the COVID-19 pandemic, turnover has decreased in the year to 31 March 2022 which has affected the sale and subsequent delivery of both recurring and non-recurring products and services in the previous financial year. With revenue falling slightly, coupled with an increase in costs this has led to an overall reduction in gross margin. The main revenue streams where there was a reduction in gross margin against the previous year were Co-location and Cloud due to general price increases imposed by suppliers.

During the year, the Group replaced its entire executive management team. The Group also received additional funding from its ultimate shareholder and produced a new three-year business plan centred around growing its higher margin Security business.

The three-year business plan involves investment in new tools and people to drive both revenue but also increase efficiency. This increased investment resulted in administrative expenses increasing compared to the previous year, once the sale of the Studley site (£9.5m) is taken into account. This resulted in EBITDAE reducing from £21.1m in 2021 to £14.4m in 2022.

As at 31 March 2022, net liabilities of the Group were £61.7m (2021: £23.0m).

**Beyond Cloud**

The Group trades in the market as the brand "Six Degrees". The Group remains a Microsoft Azure Expert MSP and is one of the main UK organisations to be awarded this accreditation. Six Degrees also has an Azure-aligned UK onshore Cyber Security Organisations Centre (CSOC), enabling customers to enhance their cyber maturity by quickly identifying and addressing cyber threats.

Six Degrees has launched its new Beyond Cloud proposition, giving customers the most flexible, secure cloud services available so they can look beyond the day-to-day and focus on the future of their organisations. With its unrivalled range of secure cloud services, and Microsoft Azure Expert MSP status, Six Degrees continues to offer an unrivalled coupling of managed services with high-calibre security expertise to UK businesses.

Six Degrees is a secure cloud services provider. It works as a collaborative technology partner to businesses making a digital transition. Always placing clients at the heart of its strategy, Six Degrees' passionate teams combine technical expertise and deep sector-specific knowledge to innovate, craft and manage the right solutions to power our clients' businesses.

Six Degrees works collaboratively and builds long-term partnerships through exceptional services that match its clients' needs. It continually innovates to deliver solutions that go beyond the norm and that enable clients to take their organisations to the next level.

The Group is one of the UK's largest independent providers of secure cloud-led converged technology managed services, selling primarily to a UK large and mid-market customer base. We provide technology services that leverage both our own technology assets, including data centres, cloud platforms and networks, and partner infrastructure so that we can address our clients' outsourcing needs. We have capabilities across multiple product categories, including but not limited to:

**Cloud**

The Group delivers and manages best-of-breed cloud services as one of the core pillars of its business. Since inception, the Group has built an expansive range of internal expertise to assist customers on their journey to the cloud. Highly scalable enterprise-grade cloud environments are hosted in the Group's own data centres and utilise the Group's own Next Generation Network ("NGN") infrastructure. The Group provides customisable cloud solutions on cutting-edge, high-performance Dell and HP hardware. The cloud infrastructure has been designed to offer clients the flexibility, scalability and performance required to support their business solutions. Beyond the core Infrastructure as a Service (Iaas) capabilities, the Group offers additional services such as Backup as a Service (BaaS), Disaster Recovery as a Service (DRaaS) as well as a range of managed service offerings.

**Cloud - continued**

Six Degrees has recently made Public Sector Private Cloud and Hyperscale Public Cloud a key focus area. The Group works closely with organisations throughout the UK public sector, and our

*Public Sector Private Cloud is trusted by Central Government departments, Local Authorities and* more to host services that keep Britain running. The Group's Microsoft Azure Expert status and unique cloud adoption methodology builds on Microsoft's established Cloud Adoption Framework and introduces mature cyber security capabilities to deliver secure, high performance Microsoft Azure deployments that are purpose built to align with our client's cloud drivers.

**Connectivity**
At the centre of the business is the carrier-class 100Gb capable NGN. This network underpins every Group client. As the NGN is owned and operated by the Group, it allows the Group to deliver standard solutions whilst being nimble enough to deliver bespoke, customer-designed and complex solutions. The Group offers cost-effective solutions from single site Direct Internet Access (DIA) connectivity to private Wide Area Network (WAN) L3VPN and on-net L2VPN solutions. To ensure support is provided when it is needed, the Group has a customer portal that allows clients to raise incidents and change requests, as well as being a central location to review network utilisation.

***Agile Workspace***
The Group's aim is to enhance clients' working practices by ensuring they can communicate, collaborate and work more efficiently. We provide full end-to-end visibility of the complete call path rather than relying on third parties. These networks enable the Group to offer market-leading availability times for all Agile Workspace services. Due to the breadth of the product portfolio, the Group is in a great position to help clients migrate from their legacy platforms to new cutting-edge technologies.

**Colocation**
Underpinning all the core services are the Group's geographically diverse data centres. The Group operates three UK data centres specifically designed to meet its clients' cloud data and physical asset storage requirements and provide the highest levels of availability and security. From hybrid cloud to dedicated, high-security cages, the data centres offer clients the flexibility they need in order to meet their business requirements. The data centres are connected to the Groups NGN, providing clients with cost-effective, fast and low latency connectivity to the majority of data centres in the UK and Europe, as well as to the public cloud providers including AWS, Azure and Google. All the data centres are supported by a 24x7 Service Management Centre and dedicated on-site facilities engineering teams, providing experienced technical expertise whenever required.

**Managed Services**
The Group offers a comprehensive suite of end-to-end IT Managed Services. These complement the existing Cloud, Connectivity and Unified Communication offerings, and allow the Group to deliver a truly holistic service to clients. The Managed Services offerings allow clients to fully outsource their IT system management and support, enabling them to focus on their core business deliverables, safe in the knowledge that their systems are secure and running optimally. The Group's centralised Service Desk can deliver IT incident resolution to businesses throughout the world, operating on a 24x7 basis and staffed by a team of highly qualified and experienced engineers. The IT Managed Services suite delivers continuity and security through a range of best-in-class vendors, all managed by specialist product teams. The Group implements and manages antivirus, backup, disaster recovery, mail and web security, mobile device management and remote system monitoring and management on behalf of clients. These services integrate seamlessly, allowing clients to benefit from the highest levels of performance, uptime, security and availability, all with minimal management overheads.

**Mobility**
The Groups' mobility offering has been providing clients with the right mobile solutions for their business with a personal touch, far beyond what the networks could offer directly. The Group advises, administers, and monitors clients' accounts in an honest way so that they can get what is best for their business. Further to this, the Group leverages its position in the industry to help reduce costs and consolidate the supply chain by delivering multi-network mobility solutions.

**Cyber Security**
Organisations face an increasingly complex and ever-changing security landscape with an escalating rate of cyber-attacks from an ever-more professional and organised cybercrime fraternity. Malicious attackers are increasingly treating security as a business by seeking out and leveraging weaknesses in organisations' holistic security ecosystems to steal and monetise stolen information. Using cybersecurity expertise and experience, and those of our best-in-class partners, the Group offers the soundest approach - a multi-layered security strategy, which provides multiple redundant safeguards to secure clients' organisations.

Each of the product groups noted above all contribute turnover across the three different revenue recognition profiles, namely monthly recurring revenue, non-recurring revenue and usage-based charges. Some product groups will be more closely aligned to one revenue type due to the nature of the services provided. For example, subscription-based services delivered within the Cloud and Connectivity product groups are recognised on a recurring basis whereas Security services tend to be recognised on a non-recurring basis. The Group manages turnover at a product group level with the nature of services delivered to clients deriving the contribution to each of the three criteria within reported turnover.

## PRINCIPAL RISKS AND UNCERTAINTIES
**Strategic Risks**

As part of the refresh of the governance process management have looked at the principal risks faced by the company. The significant proportion of the principal risks flow from delivery of the strategic plan. Having identified these principal risks management have put in place a regular governance cadence to review and actively manage these risks.

| Risk | Nature of risk event | Description |
|---|---|---|
| Product & margin | Profitability, revenue | We have the wrong products for the market, we cannot sell at the margin we plan for, we have assessed the market incorrectly, we do not get traction in our growth areas, the market changes and we don't. |
| Talent Retention | Profitability, ability to trade, costs | We do not have the right number of people in the right roles, retained, with the right skills and capabilities at a salary that is sustainable. |
| Innovation | Profitability, costs | We do not have the capacity and capability to understand changing market demand, new products as they come to market, to develop our own products, and to forecast build and deploy them commercially in an efficient way. |

**PRINCIPAL RISKS AND UNCERTAINTIES - continued**
**Strategic Risks - continued**

| Risk | Nature of risk event | Description |
|---|---|---|
| Security and Data | Profitability, damages, reputation | We do not have security and process in place (particularly on the legacy estate) to protect our business and data, avoid fraud, theft and ransom, and maintain our reputation as a cyber-security expert. |
| Proportionate governance framework | Agility, profitability | We do not develop and maintain a system of internal controls appropriate for a business the size/complexity of Six Degrees. |
| Financial viability | Ability to trade, revenue, costs | We do not maintain financial stability, manage our costs base, ensure viability, and achieve financial targets |
| Evolution of ESG expectations | Health, profitability, ability to trade | We do not adapt Six Degrees to the evolving shift in ESG values and climate change, including the requirements of staff, customers, regulators, and wider society. |
| Meet minimum standards | Profitability, ability to trade, costs | We do not obtain and retain the right capability, equipment, accreditations and reporting required to win and keep business, for example, ISO, Cyber Essentials, MS Expert, Carbon Reduction Plan and D&I. |
| Reliability | Damages, reputation | We do not have technology that is stable and able to perform at the levels promised to our customers, or our systems are misaligned to contracted standards. |
| Data quality | Agility, profitability | We do not have reliable and timely business and management data that we need to make decisions operationally and strategically. |
| Reputation | Profitability, revenue | Our brand, marketing, collateral and sales materials are not sufficient to attract clients and secure our target market share. |
| Speed and Quality of Change | Agility, profitability, costs | We do not implement change with the correct balance of time, quality, and cost to achieve our objectives. |

**Refinance of External Debt**
In March 2022, the Group concluded a renegotiation of its external debt facility. The term of the loan remains unchanged, and the covenants were revised based upon the Group's new three-year business plan. Management concluded that the renegotiation was a substantial modification of the terms of the facility and was accounted for as an extinguishment of the old loan and recognition of the new loan.

**Restructure of Group Entities**
On 28 March 2022, CB-SDG Holdco Limited sold its investment in CB-SDG Midco Limited and all its associated subsidiaries, which included Six Degrees Technology Group Limited. The investment was sold to 6DG Holdco Limited, a newly incorporated company, whose parent company in turn is 6DG Topco Limited, another newly created company. As part of this restructure, the Group's ultimate shareholder invested a further £10.5m into the Group.

**Sale and Leaseback**
During the year, the Group completed a sale and leaseback transaction on a freehold property held within the Group as a data centre and office space. The property was sold for £13.4m and the Group made a profit on sale of £9.5m. The Group has signed a 20-year lease at an initial annual rent of £0.6m and is subject to an annual rent review. The Group has an option to extend that lease by a further five years after the initial 20-year lease.

**DUTY TO PROMOTE THE SUCCESS OF THE COMPANY (SECTION 172(1) STATEMENT)**
Section 172 of the Companies Act 2006 requires the Directors to act in such a way that they consider, in good faith, would be the most likely to promote the success of the Group and Company for the benefits of its members as a whole, and in doing so have regard to:

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

The Board confirms that, during the year, it has had due regard to the matters set out above. Further details as to how the Directors have fulfilled their duties with reference to relevant areas within these financial statements, are set out below.

**Risk Management**
The Board recognises the importance of identification, evaluation and management of the Group and Company's risks. Details of the principal risks and uncertainties of the Group and Company are set out in the Group Strategic Report.

**Employees**
The Board is committed to the Group being a responsible employer and strives to create a working engagement where employees are informed and involved in the relevant decision-making processes so that they remain fully engaged. The Group's employment policies and related information set out in the Directors Report.

**Community and the environment**
The Board recognises their responsibilities to making positive contributions to the community and achieving good environmental practices.

**DUTY TO PROMOTE THE SUCCESS OF THE COMPANY (SECTION 172(1) STATEMENT) - continued**

**Business conduct and relationships**
The Board recognises the importance of a strong culture that considers the best interests of its employees, business partners and shareholders alongside other external stakeholders including but not limited to clients, contractors, and suppliers.

The level of engagement for each stakeholder Group is set out as follows:

| Stakeholder group | How the Board undertakes to deliver on its s172 obligations | Why do we engage |
|---|---|---|
| **Investors** | The Annual Report and Financial Statements are laid before the company's shareholders at the Board Meeting immediately after the completion of the financial audit and the signing of the Annual Report and Financial Statements. | To ensure the shareholders of the Group and Company maintain a detailed understanding of the ongoing performance of the business to provide them with the confidence that the agreed business strategy will deliver the medium and long-term financial targets. |
| | Provision of monthly management reporting packs, annual budget and forecasts where appropriate and regular business updates from the CEO/CFO. | |
| | Investor representatives from the ultimate controlling undertaking are directors of the company, which provides for direct engagement and transparency of Board decision-making. | |
| **Debt holders** | The Annual Report and Financial Statements are provided alongside annual compliance certificate. | As part of the Senior Facilities Agreement, there is a legal obligation to provide the information. |
| | Provision of monthly management reporting packs, quarterly compliance certificates, annual budget, and forecasts where appropriate and an annual business update from the CEO/CFO. | It is key for our debt holders to understand how the business is performing and the strategy in the short and medium term and the provision of this information is a key element of that process. |

**DUTY TO PROMOTE THE SUCCESS OF THE COMPANY (SECTION 172(1) STATEMENT) - continued**

| Stakeholder Group | How the board undertakes to deliver on its s172 obligations | Why do we engage |
|---|---|---|
| **Clients** | Continual collection, monitoring and review of the Net Promoter Score key performance indicator to ensure service delivery standards are being maintained and actions taken to remedy where required. Executive sponsorship of key customers. | The Group's strong relationships with its clients are critical to achieving the long-term sustainable growth. |
| **Suppliers** | The Group performs quarterly reviews to ensure that the Service Level Agreement (SLA) targets are being achieved. | To actively promote a business partnering model whereby all concerned parties work together to deliver the benefit to the end user. |
| **Employees** | Employee engagement is principally facilitated and encouraged through the Groups' 360 Degrees Team, an employee led forum that leads on diversity and inclusion but also encompasses the Groups charitable and socially oriented activities. | Our employees are at the heart of our business; their individual commitment ensures successful trading and development of the business. |
| | The Group is committed to ensuring that employees are sufficiently well informed about company performance. Generally, this will include communication through monthly 'All Hands' meetings, structured information cascades or team briefings, all of which encourage feedback and a free flow of ideas. | We pride ourselves on being a supportive and responsible employer and strive to create a working engagement where employees are informed and involved in the relevant decision-making processes so that they remain fully engaged. |
| | Employees are also encouraged to understand and contribute to the Groups overall strategy and operations, through regular Employee Opinion Surveys as well as weekly 'pulse' surveys, quarterly performance discussions, issues-based forums such as the 'Back To The Future' exit from the COVID-19 lockdown programme and others. | |

**COVID-19 PANDEMIC**

The COVID-19 pandemic and subsequent virus control measures implemented by UK Government have had a significant adverse impact across the UK economy as a whole with a number of industry sectors, most notably the hospitality and retail sectors being those where there has been a significant reduction in economic activity.

The Group has several clients that operate predominantly within those sectors most affected by the control measures. Whilst COVID-19 has undoubtedly had an impact on the financial results over the past two financial years, management do not believe there will be any material adverse impact on the results of the Group going forward.

At the end of the financial year, the Group had £36.0m in cash and as a result of the renegotiation of its Senior Facilities Agreement, the Group has the option not to pay any interest on its senior bank loans for the next two financial years. Although no interest is payable in the next 2 years, it is still accrued and added to the existing loan, with interest payments recommencing in the third year. The Group still has to cash settle interest on any Revolving Credit Facility drawdowns

**STRATEGY**

During 2021 the business continued to pursue its long-term strategy of driving broad range market share grow. In the latter part of FY22 the business undertook a review of the achievement of its existing strategy. This was undertaken in conjunction and with the support of its key financing stakeholders, Charlesbank, Ares and Clydesdale. This review concluded that the business's strategy needed to evolve based upon the markets in which it operates and the execution delivery to date. The key changes that were initiated in FY22 were to recruit a new management team, refocus the business on growth markets (Cyber, Public Cloud and Agile), secure additional investment and reset debt covenants.

A new Chief Executive, Simon Crawley-Trice, was appointed during the year. Simon took the opportunity to refresh and invest in a new leadership team. He created new roles focused on sales, product, and operations at an Executive level. He also brough in a new Chief Financial Officer and Chief People Officer.

The business refocused its strategy around driving growth in a number of attractive markets; Public Cloud, Cyber Security and Agile Workspace whilst at the same time ensuring that it retained its core revenue in Private Cloud and Connectivity. This market shift required investment in sales and service delivery capability which predominantly related to investment in additional FTEs with a more relevant skill set for the markets in which the company was looking to grow. In addition, this strategic review identified the need to invest in systems, tools and process improvement to drive a level of standardisation and simplification that was missing from the organisation. The umbrella programme to deliver these systems and tools was branded Project Six.

As part of this strategic refresh of the business additional cash was secured through the sale and leaseback of the Studley data centre site and from Charlesbank. At the same time the banking covenants for both the senior debt and RCF were reset.

**STREAMLINED ENERGY AND CARBON REPORTING (SECR)**
The Group is required to disclose the global energy use and associated greenhouse gas (GHG) for which it is responsible. The reporting is due according to the number of tonnes of carbon dioxide equivalent (tCO2-e).

**Calculation methodology**
The Group has assessed the GHG emissions and uses the 2019 emission conversion factors developed by the UK Department for Environment, Food and Rural Affairs ("Defra") and the Department for Business, Energy and Industrial Strategy in the calculation of the GHG emissions and intensity metrics.

The Group has applied the financial controls approach to the SECR requirements.

The scope of the GHG emissions assessment includes:

- Transport related energy consumption (Scope 1)
- Buildings related energy consumption (Scope 2)

Transport related energy usage includes employee-owned vehicle fuel and hire car related travel.

**Results**
The table below shows the results for the current year with prior year comparatives.

| | **2022 tCO2-e** | 2021 tCO2-e |
|---|---|---|
| Direct emissions (Scope 1) - Travel related energy consumption | **10.6** | 10.1 |
| Indirect emissions (Scope 2) - Buildings relate purchased energy consumption | **4,020.6** | 5,050.1 |
| **Total tCO2-e (Scope 1 & 2)** | **4,031.2** | 5,060.2 |
| Intensity metric: Scope 1 & 2 GHG emissions per average full-time employee | **9.0** | 11.3 |
| Intensity metric: Scope 1 & 2 GHG emissions per £M turnover | **49.6** | 60.2 |
| **Total energy consumption (kWh) (Scope 1&2 only)** | **18,981,070** | 19,799,481 |

**Energy efficiency**
The Group attempts to limit unnecessary energy usage wherever possible whilst ensuring the continuity of the operational delivery of the products and services provided by the Group. However, the Group does not currently have centrally managed carbon reduction or offsetting programmes.

**CHANGES TO KEY MANAGEMENT**
Over the last financial year and to drive the next phase of its growth, Six Degrees has appointed a new management team.

Simon Crawley-Trice was appointed CEO in May 2021. Previously he served as Six Degrees' Managing Director - Practice Groups. Simon joined Six Degrees from Rackspace, where he led their Cloud and Professional Services business across EMEA and built their high-growth Cloud and Security Professional Services teams that complemented their Managed Services strategy.

Darren Norfolk was appointed Chairperson, also in 2021. Darren joined the Six Degrees board as a non-executive Director in December 2020 and brought a wealth of experience with him. Over the last year has spent a significant amount of time supporting and enabling our business through directly influencing a number of key strategic decisions. Darren was previously EMEA Managing Director at Rackspace where he doubled the organisation's revenue and oversaw their shift from traditional infrastructure to public cloud services, all while driving industry leading customer services.

David Manuel joined Six Degrees on 1st April 2022. David joined Six Degrees from Capita, where he served in a variety of roles, including Director of Group Finance and Interim Group CFO. David has previously worked in senior leadership roles at several pedigree brands, including Vodafone, Colt, BT Openreach, RBS, and Deloitte.

**ON BEHALF OF THE BOARD:**

........................................................
D Manuel - Director

Date: 26 September 2022

The directors present their report with the audited financial statements of the company and the group for the year ended 31 March 2022.

**PRINCIPAL ACTIVITY**
The principal activity of CB-SDG Midco Limited ('the Company'), along with its subsidiary CB-SDG Limited, is as an investment vehicle for Charlesbank Capital Partners LLC ('Charlesbank') within the United Kingdom.

**DIVIDENDS**
No dividends will be distributed for the year ended 31 March 2022.

**RESULTS**
The loss for the period, before taxation was £38.6m (2021: £35.3m).

The net liabilities of the Group were £61.7m (2021: £23.0m).

**MATTERS COVERED IN THE STRATEGIC REPORT**
The Group strategic report can be found on pages 3 to 13. This contains the review of business, details of the Group's risks and uncertainties and strategy.

**FUTURE DEVELOPMENTS**
Management strategy is growth in the coming year will be driven by gains in sales from continuing operations. Further detail on future developments are provided in the Strategic report.

**EVENTS SINCE THE END OF THE YEAR**
Information relating to events since the end of the year is given in the notes to the financial statements.

**DIRECTORS**
The directors who have held office during the period from 1 April 2021 to the date of this report are as follows:

D M Howson - resigned 12 May 2021
S K Mitchell - resigned 15 December 2021
S Crawley-Trice - appointed 12 May 2021
S Karaolis - appointed 15 December 2021
M McGuire - appointed 29 March 2022

D Manuel was appointed as a director after 31 March 2022 but prior to the date of this report.

S Karaolis ceased to be a director after 31 March 2022 but prior to the date of this report.

**POLITICAL DONATIONS**
There were no political donations made during the year (2021 - £Nil).

**INVESTMENTS**
The Directors have estimated the fair value of the investments held in its subsidiaries by appropriate means based on future profits and market expectations and because of this the value of the investment has been written down to £22.6m (2021: £158.0m)

**GOING CONCERN**
In determining the appropriate basis of preparation of the financial statements for the year ended 31 March 2022, the Board is required to consider whether the Group and Parent Company can continue in operational existence for the foreseeable future. The Board has concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts, key uncertainties, and sensitivities, as set out below. Accounting standards require that 'the foreseeable future' for going concern assessment covers a period of at least twelve months from the date of approval of these financial statements, although those standards do not specify how far beyond twelve months a Board should consider. In its going concern assessment, the Board has considered the period from the date of approval of these financial statements to 31 March 2024 which is just more than eighteen months from the date of approval of these financial statements ('the going concern period') and which aligns with the end of the second year of the current business plan.

The Board has also considered any material committed outflows beyond this period in forming their assessment. The base case financial forecasts used in the going concern assessment are derived from the 2022-2025 business plans as approved by the Board in March 2022. The going concern assessment considers the Group's sources and uses of liquidity and covenant compliance throughout the period under review. The value of the Group's existing committed RCF was £15m was fully drawn down at 31 March 2022 and it expires on 3 April 2026.

***Financial position at 31 March 2022***
The Group had net debt of £165.7m at 31 March 2022 (2021: £173.1m) and EBITDAE (adjusted EBITDA for allowable exceptional items) was £14.4m for the year ended 31 March 2022 (2021: £21.1m). The Group was in compliance with all debt covenants at 31 March 2022. The Group had liquidity of £36.0m at 31 March 2022.The principal value of the loan at the year-end was £186.4m, capital is only repayable at the end of the term loan on 3 April 2026.

***Board assessment - Base case scenario***
Under the base case scenario, completion of the Group's transformation programme will simplify and strengthened the business focusing on specific growth segments of the overall MSP space. This will enable sustainable growth in revenue, profit, and cash flow over the medium term. This enables the generation of positive free cash flows, and when combined with available committed facilities allows the Group to continue into the future. The base case financial forecasts demonstrate liquidity headroom and compliance with all covenant measures throughout the going concern period to 31 March 2024. The base case assumes an improved financial position for the Group as a result of the realisation of the benefits from completion of the transformation plan. The transformation plan incorporates a number of specific elements: -

- Driving growth in high growth segments of the MSP market. This requires investment in sales, service, and product capability.
- Retaining focus on the SME market and still servicing both public and private customers.
- Simplifying and streamlining the organisation structure, processes and systems and tools.

Enabling us to deliver increased revenue with an efficient and effective cost base. The key sensitivities within the base case are those associated with delivering this transformation plan.

***Board assessment - Severe but plausible downside***
In considering severe but plausible downside scenarios, the Board has taken account of trading downside risks, which assume the Group is not successful in delivering the anticipated levels of revenue growth and sustainable free cash flows. The downside scenario used for the going concern assessment include potential adverse financial impacts due to additional inflationary pressure which cannot be passed on to customers, not achieving targeted margins on new or major contracts, unforeseen operational issues leading to contract losses and cash outflows.

**GOING CONCERN - continued**
Absent any mitigating actions, EBITDAE covenant headroom shown in the Group's financial forecasts under this severe but plausible downside scenario over the going concern period reduces substantially such that there is a risk of a covenant breach. There are mitigations, under the direct control of the Group, that could be implemented to address any immediate shortfalls. These include reductions in variable pay rises, setting aside any bonus payments, limiting discretionary spend and passing on an increasing the RPI increase to customers each year. In the Board's judgement these mitigating actions are of sufficient quantum to offset the downside risks if these were to crystalise.

Consequently, the Board has concluded that the Group and Parent Company will be able to continue in operation and meet their liabilities as they fall due over the period to 31 March 2024. Consequently, these financial statements do not include any adjustments that would be required if the going concern basis of preparation were to be inappropriate.

**DIVERSITY AND INCLUSION**
**Equality**
The Group operates a number of strategies and initiatives that support its equality aims, including:

**Talent Acquisition**
The Group seeks to employ the best person for the job, regardless of personal characteristics (protected or otherwise). The Group aims to attract candidates from a variety of backgrounds and assesses applicants against objective skill and behavioural frameworks. We are challenging of our recruitment partners in ensuring that their commitment to equality and diversity matches our own and that there is diversity in candidates presented for consideration. In additional to removing gender bias from its recruitment advertisements, the Group has proactively engaged with schools, universities, and a wider range of organisations to ensure that our employees are reflective of the communities in which we operate. The Group is undertaking a number of initiatives and outreach activities to support younger people and women when entering the Science, Technology, Engineering and Mathematics sector and is currently targeting a minimum of one female candidate for every recruitment shortlist.

**Learning and Development**
The Group is committed to providing access to learning and development for all employees by providing its people with the necessary skills and experience to progress. In the last financial year, a number of learning initiatives have served to promote understanding of diversity- and inclusion-related issues, including unconscious bias, recruitment training, legal obligations with respect to equality, and good management practice. The Group has established a series of career pathways to help individuals progress their careers, regardless of their background, which is anticipated to support under-represented groups into more senior positions.

**Employee Relations**
The Groups' CIPD-accredited People Business Partners and People Advisors support employees and managers in managing the full range of issues which can arise in the workplace, giving due care to all aspects of equality, diversity, and inclusion.

**DIVERSITY AND INCLUSION - continued**

**Employee Engagement**
The Group operates a broad range of forums to support and promote diversity, equality and inclusion in the workplace. These are covered within the "360 Degrees Committee" and include, but are not limited to, the below sub-committees:

- 'Including Everyone Everywhere' co-ordinates activities to raise awareness and support diversity and inclusion in the workplace
- 'For The Benefit of Others' raises awareness of and supports fundraising and other beneficial activities for charitable organisations
- 'Healthy Minds, Healthy Lives' focuses on mental health and well-being of our employees through agile working policies, social initiatives and adapting to working from home
- 'Minority Awareness and Progression Community (MAPC)' provides a space for colleagues to come together and share their experiences and thoughts whilst also providing guidance to the 360 Degrees Team and the wider organisation on how to be better allies and how to provide support

**Reward and Recognition**
The Group routinely reviews key elements of its reward strategy to ensure that is being fairly applied; for example, this may be through reviewing its Gender Pay Gap outcomes, reviewing the distribution of gender across organisation levels, respective rates of promotion/salary increase or access to bonus or other executive compensation arrangements.

**Health and Wellbeing**
The Group ensures that its employees are best supported in their roles. The Group will engage specialist support (such as Occupational Health assessments) where there is a need for the organisation to better understand the needs of its people to put commensurate adjustments in place. The Group has also introduced a dedicated 'Healthy Minds, Healthy Lives' committee to advise and provide continued support to employees. The Group has trained and deployed a number of 'Mental Health First Aiders' across every workplace to ensure that the needs of its people are supported in the face of a challenging climate.

**Community Engagement**
The Group undertakes a significant amount of community-oriented activity. In addition to being a patron of MacMillan, the Groups' Corporate and Social Responsibility activity includes diversity and inclusion-oriented activities, such as the Future Frontiers programme (providing coaching for disadvantaged young people) in the last year.

**Employee Involvement**
The Group is committed, not only to meeting its obligations with respect to consulting with employees where appropriate over matters that affect their employment, but also to ensuring that they are sufficiently well informed about company performance to adequately carry out their roles. Generally, this will include communication through monthly Group-level 'All-Hands' meetings, Business Unit-level All Hands, structured information cascades, team briefings, newsletters and other channels, all of which encourage feedback and a free-flow of ideas.

Employees are also encouraged to understand and contribute to the Group's overall strategy and operations, through regular Employee Opinion Surveys (on the back of which significant action-planning takes place to address key areas of concern) as well as weekly 'pulse' surveys, quarterly performance discussions and issues-based forums. Employee engagement is principally facilitated and encouraged through the Groups' 360-Degrees employee forum, an employee-led forum that leads on diversity and inclusion but also encompasses the Group's charitable and socially-oriented activities.

**DIVERSITY AND INCLUSION – continued**
**Employee Involvement - continued**

In 2021, Six Degrees launched its Women in Tech group, aiming to support the identification and promotion of opportunities for females within the Group.

**FINANCIAL RISK MANAGEMENT**
The Group's financial risk management policy is outlined in the Group Strategic Report.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**
The directors are responsible for preparing the Group Strategic Report, Report of the Directors, and Audited Consolidated 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 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 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 United Kingdom Accounting Standards, comprising FRS 102 have been followed, 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 also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

**DIRECTORS' CONFIRMATIONS**
In the case of each director in office at the date the directors' report is approved:

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

CB-SDG Midco Limited

Report of the Directors
for the Year Ended 31 March 2022

**INDEPENDENT AUDITORS**
The auditors, PricewaterhouseCoopers LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

............................................................
D Manuel - Director

Date: 26 September 2022

# Independent auditors' report to the members of CB-SDG Midco Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, CB-SDG Midco 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 2022 and of the group's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Group Strategic Report, Report of the Directors and Audited Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 31 March 2022; the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

#### Independence

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

### Conclusions relating to going concern

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

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

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

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

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

With respect to the Strategic report and Report of the Directors, 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 Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 March 2022 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 Report of the Directors.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax compliance and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Performing procedures over risky journal entries;
- Challenging assumptions made by management in determining their judgements and accounting estimates; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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.

# 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.

Jennifer Dickie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 September 2022

CB-SDG Midco Limited

## Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2022

| | Notes | 2022 £'000 | 2021 £'000 |
|---|---|---|---|
| **TURNOVER** | 4 | 81,416 | 83,995 |
| Cost of sales | | (37,686) | (35,088) |
| **GROSS PROFIT** | | 43,730 | 48,907 |
| Administrative expenses | | (62,316) | (69,874) |
| | | (18,586) | (20,967) |
| Other operating income | 5 | 250 | 878 |
| **OPERATING LOSS** | 7 | (18,336) | (20,089) |
| Analysed As: | | | |
| **EBITDAE** | | 14,418 | 21,057 |
| Depreciation | 7 | (5,207) | (5,785) |
| Exceptional items | 8 | 6,009 | (1,426) |
| Amortisation | 7 | (33,556) | (33,935) |
| **OPERATING LOSS** | 7 | (18,336) | (20,089) |
| Interest receivable and similar income | 9 | 39 | 521 |
| | | (18,297) | (19,568) |
| Interest payable and similar expenses | 10 | (20,316) | (15,741) |
| **LOSS BEFORE TAXATION** | | (38,613) | (35,309) |
| Tax on loss | 11 | (80) | 146 |
| **TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR** | | (38,693) | (35,163) |

CB-SDG Midco Limited

Registered number: 09642098

Consolidated Balance Sheet
as at 31 March 2022

| | Note | 2022 £'000 | Restated * 2021 £'000 |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Intangible assets | 13 | 81,672 | 112,384 |
| Tangible assets | 14 | 7,930 | 13,698 |
| | | 89,602 | 126,082 |
| **CURRENT ASSETS** | | | |
| Debtors (including £12,518,000 (2021: £21,572,000) due after one year) | 16 | 40,738 | 48,834 |
| Cash at bank and in hand | | 36,049 | 3,876 |
| | | 76,787 | 52,710 |
| **CREDITORS** | | | |
| Amounts falling due within one year | 17 | (43,105) | (30,049) |
| **NET CURRENT ASSETS** | | 33,682 | 22,661 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 123,284 | 148,743 |
| **CREDITORS** | | | |
| Amounts falling due after more than one year | 18 | (184,954) | (171,720) |
| **NET LIABILITIES** | | (61,670) | (22,977) |
| **CAPITAL AND RESERVES** | | | |
| Called up share capital | 21 | 157,982 | 157,982 |
| Capital contribution reserve | 22 | 8,050 | 8,050 |
| Retained earnings | 22 | (227,702) | (189,009) |
| **SHAREHOLDERS' DEFICIT** | | (61,670) | (22,977) |

* Please refer to Note 30 for details of the prior year statement

The financial statements were approved by the Board of Directors and authorised for issue on 26 September 2022 and were signed on its behalf by:

.........................................................
D Manuel - Director

CB-SDG Midco Limited

Registered number: 09642098

Company Balance Sheet
as at 31 March 2022

| | Note | 2022 £'000 | 2021 £'000 |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Investments | 15 | **22,598** | 157,982 |
| | | **22,598** | 157,982 |
| **CREDITORS** | | | |
| Amounts falling due within one year | 17 | **(78)** | (75) |
| **NET CURRENT LIABILITIES** | | **(78)** | (75) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **22,520** | 157,907 |
| **CAPITAL AND RESERVES** | | | |
| Called up share capital | 21 | **157,982** | 157,982 |
| Retained earnings | 22 | **(135,462)** | (75) |
| **SHAREHOLDERS' FUNDS** | | **22,520** | 157,907 |
| Company's loss for the financial year | | **(135,387)** | (6) |

The financial statements were approved by the Board of Directors and authorised for issue on 26 September 2022 and were signed on its behalf by:

.........................................................
D Manuel - Director

## Consolidated Statement of Changes in Equity for the Year Ended 31 March 2022

| | Called up share capital £'000 | Retained earnings £'000 | Capital contribution reserve £'000 | Total equity £'000 |
|---|---|---|---|---|
| **Balance at 1 April 2020** | 157,982 | (153,846) | 8,050 | 12,186 |
| **Changes in equity** | | | | |
| Deficit for the year | - | (35,163) | - | (35,163) |
| Total comprehensive loss for the year | - | (35,163) | - | (35,163) |
| **Balance at 31 March 2021** | 157,982 | (189,009) | 8,050 | (22,977) |
| **Changes in equity** | | | | |
| Deficit for the year | - | (38,693) | - | (38,693) |
| Total comprehensive loss for the year | - | (38,693) | - | (38,693) |
| **Balance at 31 March 2022** | 157,982 | (227,702) | 8,050 | (61,670) |

## Company Statement of Changes in Equity for the Year Ended 31 March 2022

| | Called up share capital £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|
| **Balance at 1 April 2020** | 157,982 | (69) | 157,913 |
| **Changes in equity** | | | |
| Deficit for the year | - | (6) | (6) |
| Total comprehensive loss for the year | - | (6) | (6) |
| **Balance at 31 March 2021** | 157,982 | (75) | 157,907 |
| **Changes in equity** | | | |
| Deficit for the year | - | (135,387) | (135,387) |
| Total comprehensive loss for the year | - | (135,387) | (135,387) |
| **Balance at 31 March 2022** | 157,982 | (135,462) | 22,520 |

## Consolidated Cash Flow Statement
## for the Year Ended 31 March 2022

| | Note | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 26 | **9,011** | 20,799 |
| Interest element of finance lease payments paid | | **(124)** | (215) |
| Net cash from operating activities | | **8,887** | 20,584 |
| ***Cash flows from investing activities*** | | | |
| Payments for intangible fixed assets | | **(2,844)** | (2,997) |
| Purchase of tangible fixed assets | | **(2,770)** | (1,966) |
| Proceeds from disposal of tangible fixed assets | | **12,782** | - |
| Interest received | | **39** | 521 |
| Net cash from investing activities | | **7,207** | (4,442) |
| **Cash flows from financing activities** | | | |
| Repayments of bank loans | | **-** | (14,545) |
| Financing from related party | | **10,500** | - |
| New bank loans | | **15,000** | - |
| Capital elements of finance leases | | **(1,991)** | (1,919) |
| Interest paid | | **(7,430)** | (10,815) |
| Net cash from financing activities | | **16,079** | (27,279) |
| **Increase/(decrease) in cash and cash equivalents** | | **32,173** | (11,137) |
| **Cash and cash equivalents at beginning of year** | 27 | **3,876** | 15,013 |
| **Cash and cash equivalents at end of year** | 27 | **36,049** | 3,876 |

1. **STATUTORY INFORMATION**

CB-SDG Midco Limited is a private company, limited by shares, registered and incorporated in England and Wales. The company's registered number and registered office address can be found on the Company information page. The principal activity of the Company is as an investment vehicle for Charlesbank Capital Partners LLC ("Charlesbank") within the United Kingdom. The presentation and functional currency of the financial statements is the Pound Sterling (£).

2. **ACCOUNTING POLICIES**

**Basis of preparation of financial statements**
These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the recognition of certain financial assets and liabilities measured at fair value

The principal accounting policies applied in the preparation of these financial statements are set out below and have been applied consistently to all years presented, unless otherwise stated.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group and company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, as disclosed in note 3.

The company has taken advantage of the exemption available from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows.

**Going concern**
In determining the appropriate basis of preparation of the financial statements for the year ended 31 March 2022, the Board is required to consider whether the Group and Parent Company can continue in operational existence for the foreseeable future. The Board has concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts, key uncertainties, and sensitivities, as set out below. Accounting standards require that 'the foreseeable future' for going concern assessment covers a period of at least twelve months from the date of approval of these financial statements, although those standards do not specify how far beyond twelve months a Board should consider. In its going concern assessment, the Board has considered the period from the date of approval of these financial statements to 31 March 2024 which is just more than eighteen months from the date of approval of these financial statements ('the going concern period') and which aligns with the end of the second year of the current business plan.

The Board has also considered any material committed outflows beyond this period in forming their assessment. The base case financial forecasts used in the going concern assessment are derived from the 2022-2025 business plans as approved by the Board in March 2022. The going concern assessment considers the Group's sources and uses of liquidity and covenant compliance throughout the period under review. The value of the Group's existing committed RCF was £15m was fully drawn down at 31 March 2022 and it expires on 3 April 2026.



2. **ACCOUNTING POLICIES - continued**
**Going concern - continued**

***Financial position at 31 March 2022***
*The Group had net debt of £165.7m at 31 March 2022 (2021: £173.1m)* and EBITDAE (adjusted EBITDA for allowable exceptional items) was £14.4m for the year ended 31 March 2022 (2021: £21.1m). The Group was in compliance with all debt covenants at 31 March 2022. The Group had liquidity of £36.0m at 31 March 2022. The principal value of the loan at the year-end was £186.4m, capital is only repayable at the end of the term loan on 3 April 2026.

***Board assessment - Base case scenario***
Under the base case scenario, completion of the Group's transformation programme will simplify and strengthened the business focusing on specific growth segments of the overall MSP space. This will enable sustainable growth in revenue, profit, and cash flow over the medium term. This enables the generation of positive free cash flows, and when combined with available committed facilities allows the Group to continue into the future. The base case financial forecasts demonstrate liquidity headroom and compliance with all covenant measures throughout the going concern period to 31 March 2024. The base case assumes an improved financial position for the Group as a result of the realisation of the benefits from completion of the transformation plan. The transformation plan incorporates a number of specific elements: -

-Driving growth in high growth segments of the MSP market. This requires investment in sales, service, and product capability.
-Retaining focus on the SME market and still servicing both public and private customers.
-Simplifying and streamlining the organisation structure, processes and systems and tools. Enabling us to deliver increased revenue with an efficient and effective cost base.

The key sensitivities within the base case are those associated with delivering this transformation plan.

***Board assessment - Severe but plausible downside***
In considering severe but plausible downside scenarios, the Board has taken account of trading downside risks, which assume the Group is not successful in delivering the anticipated levels of revenue growth and sustainable free cash flows. The downside scenario used for the going concern assessment include potential adverse financial impacts due to additional inflationary pressure which cannot be passed on to customers, not achieving targeted margins on new or major contracts, unforeseen operational issues leading to contract losses and cash outflows.

Absent any mitigating actions, EBITDAE covenant headroom shown in the Group's financial forecasts under this severe but plausible downside scenario over the going concern period reduces substantially such that there is a risk of a covenant breach. There are mitigations, under the direct control of the Group, that could be implemented to address any immediate shortfalls. These include reductions in variable pay rises, setting aside any bonus payments, limiting discretionary spend and passing on an increasing the RPI increase to customers each year. In the Board's judgement these mitigating actions are of sufficient quantum to offset the downside risks if these were to crystalise.

2. **ACCOUNTING POLICIES – continued**
**Going concern – continued**

Consequently, the Board has concluded that the Group and Parent Company will be able to continue in operation and meet their liabilities as they fall due over the period to 31 March 2024. Consequently, these financial statements do not include any adjustments that would be required if the going concern basis of preparation were to be inappropriate.

**Basis of consolidation**
The group consolidated financial statements include the financial statements of the company and all of its subsidiary undertakings made up to 31 March.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where a subsidiary has different accounting policies to the group, adjustments are made to those subsidiary financial statements to apply the group's accounting policies when preparing the consolidated financial statements.

Any subsidiary undertakings sold or acquired during the year are included up to, or from, the dates of change of control.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the group's interest in the entity.

**Related party exemption**
The Company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the CB-SDG Midco Group.

Transactions between Group entities which have been eliminated on consolidation are not disclosed within the financial statements.

**Turnover**
Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the Group and value added taxes.

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

The Group will recognise revenue once the following criteria have been met.
- the significant risks and rewards of ownership have been transferred to the buyer.
- the Group retains no continuing involvement or control over the goods.
- the amount of revenue can be measured reliably.
- it is probable that future economic benefits will flow to the entity; and
- the specific criteria relating to each of the Group's sales channels have been met.

2. **ACCOUNTING POLICIES - continued**
**Turnover – continued**

Subject to the revenue recognition conditions noted above being met, the Group reports revenue within each product group as one of the following three categories:

Monthly Recurring Revenue (MRR) - this relates to on-going delivery of services over a set period, typically up to 3 years. MRR is contracted and includes a full range of managed support, maintenance, subscription, and service agreements. MRR is spread over the agreed duration of the contract as services are provided.

Non-Recurring Revenue (NRR) - this relates to one-time revenue billed under a contractual right and typically is either a provision of a one-time service with no on-going commitments or a sale of assets, NRR is typically recognised at the point at which the service is delivered. Consultancy services provided to clients which is billed on a periodic basis as the project progresses is reported in this category as it is non-recurring in nature. This evenue is recognised on a percentage of completion basis.

Usage - this relates to revenue that is billed on a contractually agreed per-unit rate, based on actual usage in a period. Revenue is recognised in accordance with actual usage.

**Goodwill**
Goodwill arising on acquisitions is capitalised and amortised to the statement of comprehensive income on a straight-line basis over its expected useful life. Goodwill is amortised over a period not exceeding 10 years.

Goodwill is assessed for impairment when there are indicators of impairment; any impairment is charged to the statement of comprehensive income. Reversals of goodwill impairment are recognised when the reasons for impairment no longer apply.

**Other intangibles**
Other intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

| | Years |
|---|---|
| Computer software, patents and licences | **3 to 5** |
| Development costs | **3** |

Amortisation is charged to administrative expenses in the profit and loss account. Intangible assets are amortised from the date they are available for use.

Where factors such as technological advancement or changes in market price, indicate the residual value, useful life or amortisation rate require adjusting, they are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

2. **ACCOUNTING POLICIES - continued**
**Other intangibles – continued**

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

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

In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs.

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

**Tangible assets**
Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

Depreciation and residual values
Depreciation on tangible assets is charged to the statement of comprehensive income on a straight-line basis so as to write off those assets, adjusted for estimated residual values over the expected useful life of each category shown below. The remaining useful lives of the assets and their residual values are reviewed at the end of each reporting period.

The estimated useful lives are as follows:

| | **Years** |
|---|---|
| Freehold property | **50** |
| Long leasehold | **25 (or the remaining useful life of the lease, if shorter)** |
| Plant and machinery | **3 to 7** |
| Computer equipment | **3 to 5** |
| Fixtures and fittings | **3 to 5** |

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

2. **ACCOUNTING POLICIES – continued**

**Financial instruments**
The Group has chosen to adopt Section 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets
Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the assets are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities
Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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

Where management conclude that any renegotiation of the banking facilities agreement is a substantial modification, it is treated as a loan extinguishment. Refinancing fees relating to the loan are capitalised and released to the Income Statement over the remaining life of the agreement.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

2. **ACCOUNTING POLICIES - continued**
**Financial instruments – continued**

Derivatives, including interest rate caps are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate unless they are included in a hedging arrangement.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled, or expires.

(iii) Offsetting
Financial assets and liabilities are offset, and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise asset and settle the liability simultaneously.

**Taxation**
Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Deferred tax**
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

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

**Foreign currencies**
The Company's functional and presentation currency is the pound sterling. Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

2. **ACCOUNTING POLICIES – continued**

**Hire purchase and leasing commitments**
Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to profit or loss over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

**Pension costs and other post-retirement benefits**
The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to profit or loss in the period to which they relate.

**Provisions**
A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

**Government grants**
The group treats income received from both the Research and Development Expenditure Credit ("RDEC") and the Coronavirus Job Retention Scheme ("CJRS") in accordance with FRS 24 Government Grants, as required. The group chooses to recognise the RDEC grant using the performance model and, as such, the income is recognised as the performance related conditions are met. Once it becomes virtually certain that the claim has been approved and the grant will be paid, the company recognises the benefit. In accordance with FRS 102.24 Government Grants, for both the RDEC and CJRS, the gross amount of the benefit is recognised as other operating income.

**Interest receivable and interest payable**
Interest payable and similar charges include interest payable, finance leases recognised in profit or loss using the effective interest method and net foreign exchange losses that are recognised in the profit and loss account. Borrowing costs that are directly attributable to the acquisitions are capitalised as part of goodwill.

Other interest receivable and similar income includes interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit and loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payment is established. Foreign currency gains and losses are reported on a net basis.

**Cash and cash equivalents**
Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

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

## 3. CRITICAL ACCOUNTING JUDGEMENTS & SOURCES OF ESTIMATION UNCERTAINTY

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

**Refinance of External Debt**
In March 2022, the Group concluded a renegotiation of its external debt facility. The term of the loan remains unchanged, and the covenants were revised based upon the Group's new three-year business plan. Management concluded that the renegotiation was a substantial modification of the terms of the facility and was accounted for as an extinguishment of the old loan and recognition of the new loan.

**Goodwill - useful economic life**
Positive goodwill acquired on each business combination is capitalised, classified as an asset on the Consolidated Balance Sheet and amortised on a straight-line basis over its useful life. The Directors consider goodwill to have an assumed useful economic life of 10 years and amortise accordingly. The Directors consider annually whether there are any indicators of impairment to goodwill.

**Capitalised software - useful economic life**
The useful life is determined by management at the time the software is acquired and brought into use and is regularly reviewed for appropriateness. For computer software licences, the useful life represents management's view of the expected term over which the Group will receive benefits from the software, but not exceeding the licence term. For unique software products controlled by the Group, the life is based on historical experience with similar products as well as an anticipation of future events which may impact their life such as changes in technology. Historically changes in useful lives have not resulted in material changes to the Group's amortisation charge.

**Impairment of non-financial assets**
Where there are indicators of impairment of individual assets, the Group performs impairment tests based on the higher of fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next three years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

## 3. CRITICAL ACCOUNTING JUDGEMENTS & SOURCES OF ESTIMATION UNCERTAINTY - continued

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

**Exceptional items**
The Directors believe that separate presentation of exceptional items below EBITDA is relevant to an understanding of the group's underlying financial performance; this is consistent with the way financial performance is reported internally to management and the Board. These items are identified by reference to their size, nature, or incidence. In determining whether charges or credits are considered exceptional, management considers quantitative as well as qualitative factors, and applies its principles consistently from year to year. Examples which have been included in the current and/or prior years include property rationalisation charges, business restructuring programmes and redundancies. Going forward the costs associated with the transformation programme will fall into this category.

## 4. TURNOVER

The turnover and loss before taxation are attributable to the one principal activity of the Group.

An analysis of turnover by geographical market is given below:

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| United Kingdom | **79,984** | 82,543 |
| Europe | **514** | 244 |
| Rest of World | **918** | 1,208 |
| | **81,416** | 83,995 |

The Group operates in one principal area of activity, namely the provision of cloud led integrated managed data and professional services.

## 5. OTHER OPERATING INCOME

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Research and Development Expenditure Credit | **250** | 455 |
| Coronavirus Job Retention Scheme | **-** | 423 |
| Other operating income | **250** | 878 |

## 5. OTHER OPERATING INCOME – continued

Research and Development Expenditure Credit (RDEC)
The Group submitted a return through the RDEC scheme. Since the company has extensive losses available to offset its current tax liability, the amount claimed is received as a cash refund from Her Majesty's Revenue and Customs (HMRC). In accordance with FRS 102.24 Government Grants, the Group recognises the gross amount received as Other Operating Income.

Coronavirus Job Retention Scheme (CJRS)
The Group joined the CJRS in April 2020 as part of the pandemic relief options offered by the government. There were 58 employees on furlough for a short period during the previous financial year and majority of them returned to work within three months.

There were no people on furlough during the year end 31 March 2022. The company has no employees on furlough at the date of this report. In accordance with the scheme guidance and FRS 102.24, the Group has recognised this income as a government grant.

## 6. EMPLOYEES AND DIRECTORS

| | 2022 | 2021 |
|---|---|---|
| | £'000 | £'000 |
| Wages and salaries | 23,538 | 22,736 |
| Social security costs | 2,692 | 2,900 |
| Other pension costs | 890 | 889 |
| | 27,120 | 26,525 |

Within the total costs for employees and directors shown above are amounts which have been capitalised as development costs within Intangible Assets and are shown below.

**CAPITALISED DEVELOPMENT COSTS**

| | 2022 | 2021 |
|---|---|---|
| | £'000 | £'000 |
| Wages and salaries | 2,183 | 2,368 |
| Social security costs | 246 | 327 |
| Other pension costs | 71 | 95 |
| | 2,500 | 2,790 |

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

| | 2022 | 2021 |
|---|---|---|
| Directors | 3 | 2 |
| Operations | 320 | 313 |
| Sales and Marketing | 66 | 72 |
| Administration | 61 | 64 |
| | 450 | 451 |

## 6. EMPLOYEES AND DIRECTORS - continued

| | 2022 £ | 2021 £ |
|---|---|---|
| Directors' remuneration | **575,319** | 652,931 |
| Directors' pension contributions to money purchase schemes | **36,027** | 15,433 |

The number of directors to whom retirement benefits were accruing was as follows:

| | | |
|---|---|---|
| Money purchase schemes | **3** | - |

Information regarding the highest paid director is as follows:

| | 2022 £ | 2021 £ |
|---|---|---|
| Emoluments etc | **226,248** | 461,006 |
| Pension contributions to money purchase schemes | **17,092** | - |

## 7. OPERATING LOSS

The operating loss is stated after charging/(crediting):

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Other operating leases | **773** | 957 |
| Depreciation - owned assets | **4,187** | 4,764 |
| Depreciation - assets on finance leases | **1,020** | 1,021 |
| Profit on disposal of fixed assets | **(9,451)** | - |
| Goodwill amortisation | **30,186** | 30,185 |
| Development costs amortisation | **3,080** | 3,308 |
| Computer software amortisation | **290** | 442 |
| Audit fees payable to the Group's auditors | **170** | 146 |
| Taxation compliance services to the Group's auditors | **47** | 52 |
| Foreign exchange differences | **(11)** | (48) |

The total audit fee for the Group is £240,000 (2021: £146,000) of which £170,000 (2021: £146,000) is borne by Six Degrees Holdings on behalf of the Group. Fees payable for audit of parent and consolidated financial statements and the financial statements of the subsidiaries was £130,917 (2021: £63,498) and £109,083 (2021: £82,502), respectively.

## 8. EXCEPTIONAL ITEMS

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Staff restructuring costs | **1,567** | 614 |
| Property costs | **-** | 276 |
| Sale and leaseback | **(9,451)** | - |
| M&A activity | **-** | 37 |
| Advisory fee | **400** | 400 |
| Refinancing & restructuring Fees | **1,105** | - |
| Other | **370** | 99 |
| Total | **(6,009)** | 1,426 |

## 8. EXCEPTIONAL ITEMS - continued

**Staff restructuring costs**
In the current financial year, a new Executive Management team was appointed and a restructure of the operational functions of the Group was started. The cost of this restructure and associated redundancies, including associated legal fees, are disclosed as exceptional as they are not in the normal course of business operations.

**Property costs**
Following acquisitions in prior years, the Group has continued to relocate staff in the acquired businesses to its existing offices, resulting in the legacy office locations becoming redundant. The Group has also continued to review its existing property portfolio and has sought to streamline this where possible. Once an exit is agreed, any subsequent or duplicated costs have been treated as exceptional, along with fees relating to the contractual negotiations.

**Sale and Leaseback**
During the year, the Group completed a sale and leaseback transaction on a freehold property held within the Group as a data centre and office space. The property was sold for £13.4m with associated selling costs of £0.6m, resulting in net proceeds of £12.8m. The Group made a profit on sale of £9.5m and the Group has disclosed this profit as exceptional as it is one-off and does not impact the operational performance of the Group.

**M&A activity**
During the previous financial year, costs were incurred as the Group considered potential opportunities. Since these potential opportunities did not convert to realised acquisitions, the Group has disclosed these costs as exceptional.

**Advisory fee**
The ultimate controlling party, Charlesbank Capital Partners LLC, charge a fee for services rendered in relation to ongoing business advice and operational and strategic support for the underlying trading performance of the Group. The Group has disclosed this charge as exceptional as it is outside the normal course of business.

**Refinancing & Restructuring Professional Fees**
In March 2022, the Group concluded a renegotiation of its external debt facility and a restructure of its corporate structure. The professional fees in relation to the refinancing and restructure were incurred in the current year. The costs have been disclosed as exceptional items to reflect the one-off nature of these activities.

**Other**
The Group has incurred expenditure on a number of items that are not considered to be in the normal course of the operational business. These include but are not limited to costs related to the decommissioning of legacy systems.

## 9. INTEREST RECEIVABLE AND SIMILAR INCOME

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Interest from related parties | **39** | 521 |

## 10. INTEREST PAYABLE AND SIMILAR EXPENSES

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Loan interest | **19,249** | 15,526 |
| Hire purchase | **124** | 215 |
| Intercompany debtor written down | **943** | - |
| | **20,316** | 15,741 |

## 11. TAXATION

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

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Current tax: | | |
| UK corporation tax | **80** | (146) |
| Deferred tax | **-** | - |
| Tax on loss | **80** | (146) |

**Reconciliation of total tax charge/(credit) included in profit and loss**
The tax assessed for the year is the same as the standard rate of corporation tax in the UK.

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Loss before tax | **(38,613)** | (35,311) |
| Loss multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%) | **(7,336)** | (6,709) |
| Effects of: | | |
| Expenses not deductible for tax purposes | **616** | 449 |
| Income not taxable for tax purposes | **-** | (4) |
| Depreciation in excess of capital allowances | **(6)** | 271 |
| Utilisation of tax losses | **(11)** | 251 |
| Adjustments to tax charge in respect of previous periods | **-** | (281) |
| Amortisation of goodwill | **5,735** | 5,742 |
| Tax paid / (credit received) in relation to Research & Development | **(34)** | 134 |
| Non-tax-deductible impairment | **179** | - |
| Losses transferred to other group undertakings | **101** | - |
| Chargeable gains | **(42)** | - |
| Tax losses not recognised | **878** | - |
| Total tax charge/(credit) | **80** | (146) |

## 11. TAXATION – continued

Potential deferred tax assets have not been recognised on the basis that it is not probable that there would be future taxable profits on which the deductible temporary difference will be utilised in the foreseeable future.

The following table lists the gross unrecognised temporary differences:

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Fixed Assets | **9,854** | 8,614 |
| Tax losses | **37,609** | 29,920 |
| Short term timing differences | **3,035** | 551 |
| | **50,498** | 39,085 |

**Factors that may affect future tax charges**

In the Budget held on 3 March 2021, the Government announced that the corporation tax rate would increase to 25% from 1 April 2023. This was substantively enacted on 24 May 2021 and therefore has been reflected in the measurement of any relevant deferred tax balances.

On 23 September 2022, the Government announced that this increase was cancelled, and the corporation tax rate would remain at 19% from 1 April 2023. As this change was not substantively enacted at the balance sheet date, this has not been reflected in the measurement of deferred tax balances at the period end.

## 12. INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the parent company is not presented as part of these financial statements. The company made a loss of £3,000 in the year (2021: £6,000).

## 13. INTANGIBLE ASSETS

**Group**

| | Goodwill £'000 | Development costs £'000 | Computer software £'000 | Totals £'000 |
|---|---|---|---|---|
| **COST** | | | | |
| At 1 April 2021 | 270,351 | 14,686 | 6,213 | 291,250 |
| Additions | - | 2,824 | 20 | 2,844 |
| At 31 March 2022 | 270,351 | 17,510 | 6,233 | 294,094 |
| **AMORTISATION** | | | | |
| At 1 April 2021 | 162,952 | 10,234 | 5,680 | 178,866 |
| Amortisation for year | 30,186 | 3,080 | 290 | 33,556 |
| At 31 March 2022 | 193,138 | 13,314 | 5,970 | 212,422 |
| **NET BOOK VALUE** | | | | |
| At 31 March 2022 | 77,213 | 4,196 | 263 | 81,672 |
| At 31 March 2021 | 107,399 | 4,452 | 533 | 112,384 |

## 14. TANGIBLE FIXED ASSETS

**Group**

| | Freehold property £'000 | Long leasehold £'000 | Plant, machinery, fixtures and fittings £'000 | Computer equipment £'000 | Totals £'000 |
|---|---|---|---|---|---|
| **COST** | | | | | |
| At 1 April 2021 | 3,850 | 10,909 | 9,802 | 24,221 | 48,782 |
| Additions | - | - | 265 | 2,505 | 2,770 |
| Disposals | (3,850) | - | - | - | (3,850) |
| At 31 March 2022 | - | 10,909 | 10,067 | 26,726 | 47,702 |
| **DEPRECIATION** | | | | | |
| At 1 April 2021 | 442 | 8,264 | 9,064 | 17,314 | 35,084 |
| Charge for year | 77 | 1,541 | 938 | 2,651 | 5,207 |
| Eliminated on disposal | (519) | - | - | - | (519) |
| At 31 March 2022 | - | 9,805 | 10,002 | 19,965 | 39,772 |
| **NET BOOK VALUE** | | | | | |
| At 31 March 2022 | - | 1,104 | 65 | 6,761 | 7,930 |
| At 31 March 2021 | 3,408 | 2,645 | 738 | 6,907 | 13,698 |

## 14. TANGIBLE FIXED ASSETS - continued

Fixed assets, included in the above, which are held under finance leases are as follows:

| | Long leasehold £'000 |
|---|---|
| **COST** | |
| At 1 April 2021 and 31 March 2022 | **6,711** |
| **DEPRECIATION** | |
| At 1 April 2021 | **5,566** |
| Charge for year | **1,020** |
| At 31 March 2022 | **6,586** |
| **NET BOOK VALUE** | |
| At 31 March 2022 | **125** |
| At 31 March 2021 | 1,145 |

## 15. INVESTMENTS

**Company**

| | Shares in Group undertakings £'000 |
|---|---|
| **COST** | |
| At 1 April 2021 and 31 March 2022 | **157,982** |
| **PROVISIONS** | |
| At 1 April 2021 | - |
| Charge for the year | 135,384 |
| | **135,384** |
| **NET BOOK VALUE** | |
| At 31 March 2022 | **22,598** |
| At 31 March 2021 | 157,982 |

The charge for the year relates to the impairment of the original investment by CB-SDG Midco Ltd in a number of its subsidiaries. This impairment is linked to the sale of the CB-SDG Midco group during the year-ended 31 March 2022.

Details of the investments in which the Company (unless indicated) holds 20% or more of the nominal value of any class of share capital are as follows:

15. **INVESTMENTS - continued**

| **Name** | **Nature of Business** | **Interest** |
|---|---|---|
| CB-SDG Limited | Holding company | 100% ordinary share capital |
| Six Degrees Holdings Limited | Holding company | 100% ordinary share capital |
| Six Degrees Technology Limited | Holding company | 100% ordinary share capital |
| Six Degrees Investments Limited | Holding company | 100% ordinary share capital |
| Convergent Holdings (London) Limited | Holding company | 100% ordinary share capital |
| Six Degrees Property Limited | Property investment | 100% ordinary share capital |
| Six Degrees Technology Group Limited | Trading | 100% ordinary share capital |
| BIS Limited | Trading | 100% ordinary share capital |
| Capital Support Inc | Trading | 100% ordinary share capital |
| Carrenza B.V. | Trading | 100% ordinary share capital |
| Convergent Network Solutions Limited | Trading | 100% ordinary share capital |
| BIS Datacentres Ltd | Dormant | 100% ordinary share capital |
| C24 Ltd | Dormant | 100% ordinary share capital |
| Capital Support Group Limited | Dormant | 100% ordinary share capital |
| Capital Support Limited | Dormant | 100% ordinary share capital |
| Carrenza Limited | Dormant | 100% ordinary share capital |
| CNS HUT3 Limited | Dormant | 100% ordinary share capital |
| Convergent Employee Benefit Trust Limited | Dormant | 100% ordinary share capital |
| Convergent Managed Services Limited | Dormant | 100% ordinary share capital |
| Insite Limited | Dormant | 100% ordinary share capital |
| Sunrise Associates Limited | Dormant | 100% ordinary share capital |
| Sunrise Group Holdings Limited | Dormant | 100% ordinary share capital |
| Sunrise Unified Solutions Limited | Dormant | 100% ordinary share capital |
| SKD 1 Limited | Dormant | 100% ordinary share capital |
| SKD 2 Limited | Dormant | 100% ordinary share capital |
| SKD 3 Limited | Dormant | 100% ordinary share capital |
| SKD 4 Limited | Dormant | 100% ordinary share capital |
| SKD 5 Limited | Dormant | 100% ordinary share capital |
| SKD 6 Limited | Dormant | 100% ordinary share capital |
| SKD 8 Limited | Dormant | 100% ordinary share capital |
| SKD 17 Limited | Dormant | 100% ordinary share capital |
| SKD 18 Limited | Dormant | 100% ordinary share capital |
| SKD 19 Limited | Dormant | 100% ordinary share capital |
| SKD 20 Limited | Dormant | 100% ordinary share capital |
| SKD 21 Limited | Dormant | 100% ordinary share capital |

The company's investment in CB-SDG Limited is direct ownership; all other investments are indirect ownership. All subsidiaries are incorporated in the United Kingdom except Carrenza B.V. which is incorporated in the Netherlands and Capital Support Inc which is incorporated in the USA.

The registered office of the above companies is Commodity Quay, St Katharine Docks, London E1W 1AZ except for Carrenza B.V. which is registered at Barbara Stozzilaan 101, 1083H and Capital Support Inc which is registered at Suite B 1675 S. State St., Dover, Kent 19901 DE.

## 16. DEBTORS

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **£'000** | £'000 |
| Amounts falling due within one year: | | |
| Trade debtors | **11,555** | 12,253 |
| Amounts owed by group undertakings | **-** | 948 |
| Other debtors | **3,237** | 3,082 |
| Prepayments and accrued income | **13,428** | 10,979 |
| | **28,220** | 27,262 |
| Amounts falling due after more than one year: | | |
| Loan notes receivable from group undertakings | **12,518** | 21,572 |
| Aggregate amounts | **40,738** | 48,834 |

As part of the restructure of the Group in March 2022, the loans notes listed above were novated from CB-SDG Holdco Limited to 6DG Holdco Limited and £10m was settled against these by 6DG Holdco Limited.

Amounts owed by Group undertakings are unsecured, repayable on demand and interest is applied at 3.58% (2021: 9%).

## 17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Bank loans and overdrafts (see note 19) | **15,000** | 3,255 | **-** | - |
| Finance leases (see note 20) | **1,273** | 1,991 | **-** | - |
| Trade creditors | **8,451** | 6,461 | **-** | - |
| Amounts owed to group undertakings | **420** | - | **78** | 75 |
| Social security and other taxes | **5,017** | 4,711 | **-** | - |
| Other creditors | **1,772** | 2,003 | **-** | - |
| Accruals and deferred income | **11,172** | 11,628 | **-** | - |
| | **43,105** | 30,049 | **78** | 75 |

## 18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **£'000** | £'000 |
| Bank loans (see note 19) | **184,954** | 170,426 |
| Finance leases (see note 20) | - | 1,273 |
| Other creditors | - | 21 |
| | **184,954** | 171,720 |

## 19. LOANS

An analysis of the maturity of loans is given below:

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **£'000** | £'000 |
| **Amounts falling due within one year or on demand:** | | |
| Bank loans and overdrafts | **15,000** | 3,255 |
| **Amounts falling due between two and five years:** | | |
| Bank Loans and Overdrafts | **184,954** | - |
| **Amounts falling due in more than five years:** | | |
| Repayable otherwise than by instalments | | |
| Bank loans - >5 years | - | 170,426 |

Included in the £185.0m (2021: £170.4m) are capitalised costs of £1.4m (2021: £5.0m)

**Details of loans**

**Bank loans**
In March 2022, the Group concluded a renegotiation of its external debt facility. The term of the loan remains unchanged, and the covenants were revised based on the Group's new three-year business plan. The Group has the option not to cash settle interest on its senior debt for the next two financial years. Although no interest is payable in that period, interest is still accrued and is rolled up and added to the loan. Interest payments will recommence in the third year. The interest charge is 10.13% plus a variable margin. The Group still has to cash settle interest on any Revolving Credit facility drawdowns.

## 19. LOANS - continued

Prior to the renegotiation, the Group had two loans with its senior debt provider. As part of the renegotiation, these two loans were combined into one new loan. The principal value of the loan at the yearend was £186.4m (2021: £174.4m). Capital is only repayable at the end of the term loan on 3 April 2026. This is shown as amounts falling due within 2 to 5 years above.

Management concluded that the renegotiation was a substantial modification of the terms of the facility and was accounted for as an extinguishment of the old loan and recognition of the new loan.

The company also has a £15m RCF facility which was fully drawn down at 31 March 2022. This is shown as amounts falling due within 1 year above.

Amounts falling due between two and five years also include the bank loan arrangement fees for the March 22 restructure of £0.9m. The arrangement fees are being amortised over the life of the loan and the value of fees unamortised as at the balance sheet date was £0.9m. The arrangement fees for the previous facility outstanding at the start of the financial year of £5m were written off in the current year through the interest costs line, as the associated loans were extinguished.

There are cross guarantees between Six Degrees Technology Group Limited and other Group companies, BIS Limited, CB-SDG Limited, and Six Degrees Holdings Limited. The lender has a debenture creating a fixed and floating charge over the assets of Six Degrees Technology Group Limited and the associated Group companies mentioned above.

The revised bank loan facilities are subject to successfully passing revised financial covenant tests as set out in the new Senior Facilities Agreement ("SFA") and apply to the consolidated financial statements of the Group. As at the balance sheet date, the financial covenant tests were passed and based on current forecasts, the directors expect the financial covenants to be passed at each quarter end date for a period of not less than twelve months from the date of this report.

## 20. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

**Group**

| | **Finance leases** | |
|---|---|---|
| | **2022** | 2021 |
| | **£'000** | £'000 |
| Gross obligations repayable: | | |
| Within one year | **1,311** | 2,115 |
| Between one and five years | **-** | 1,311 |
| | **1,311** | 3,426 |
| Finance charges repayable: | | |
| Within one year | **38** | 124 |
| Between one and five years | **-** | 38 |
| | **38** | 162 |

## 20. LEASING AGREEMENTS – continued

| | | |
|---|---|---|
| Net obligations repayable: | | |
| Within one year | **1,273** | 1,991 |
| Between one and five years | **-** | 1,273 |
| | **1,273** | 3,264 |

**Group**

| | **Non-cancellable operating leases** | |
|---|---|---|
| | **2022** | 2021 |
| | **£'000** | £'000 |
| Within one year | **1,832** | 1,154 |
| Between one and five years | **5,191** | 3,267 |
| In more than five years | **11,466** | 2,307 |
| | **18,489** | 6,728 |

## 21. CALLED UP SHARE CAPITAL

Allotted, issued, and fully paid:

| Number: | Class: | Nominal value: | **2022 £'000** | 2021 £'000 |
|---|---|---|---|---|
| 157,982,251 | Ordinary | £1.00 | **157,982** | 157,982 |

## 22. RESERVES

**Group**

| | **Retained earnings £'000** | **Capital contribution reserve £'000** | **Totals £'000** |
|---|---|---|---|
| At 1 April 2021 | **(189,009)** | **8,050** | **(180,959)** |
| Loss for the year | **(38,693)** | | **(38,693)** |
| At 31 March 2022 | **(227,702)** | **8,050** | **(219,652)** |

**Company**

| | **Retained earnings £'000** |
|---|---|
| At 1 April 2021 | **(75)** |
| Loss for the year | **(135,387)** |
| At 31 March 2022 | **(135,462)** |

## 22. RESERVES - continued

The capital contribution reserve relates to funds paid by CB-SDG Holdco Limited (formerly the Company's immediate parent) on behalf of Six Degrees Investments Limited (a subsidiary of the Company) towards the purchase of its subsidiary undertaking, Carrenza Limited. As a condition of this payment, no liability was to be created in Six Degrees Investments Limited and this amount was therefore treated as a capital contribution from CB-SDG Holdco Limited.

## 23. RELATED PARTY DISCLOSURES

During the year, the Group was charged an Advisory fee of £400,000 (2021: £400,000) by its ultimate shareholder Charlesbank Capital Partners LLC. This advisory fee relates to ongoing advice provided to support the ongoing trade of the Group. The balance owing at the year-end was £1,893,000 (2021: £1,493,000). This balance is payable on demand and interest free.

CB-SDG Limited has outstanding loan notes receivable from a related party (see Note 16).

During the year CB-SDG Limited received financing amounting to £10.5m from Charlesbank Capital Partners LLC on behalf of 6DG Topco Limited. Outstanding balance at the year-end was £300,000.

During the year, a group undertaking engaged with Ciao Consulting Limited for the provision of consultancy services, including coaching and mentoring activities of employees. Mr D Norfolk is a director of both Ciao Consulting Limited and CB-SDG Topco Limited (the ultimate parent company of the company). The amount invoiced during the year-ended 31 March 2022 was £150,000 (2021: £54,000), of this £NIL was outstanding at the year-end (2021: £39,000)

During the year, a Group undertaking provided colocation services to Park Place Technologies Limited. CB-SDG Midco Limited and Park Place Technologies Limited share the same ultimate shareholder, Charlesbank Capital Partners LLC. The amount invoiced during the year-ended 31 March 2022 was £187,531 (2021: £197,799), of this £NIL was outstanding at the year-end (2021: £15,690)

## 24. EVENTS AFTER THE REPORTING PERIOD

In August 2022, the Group served notice on the lease on one of its data centres, this lease will expire in February 2023.

## 25. ULTIMATE CONTROLLING PARTY

The Company's immediate parent undertaking is 6DG Holdco Limited and ultimate parent undertaking is 6DG TopCo Limited.

Charlesbank Capital Partners LLC, on behalf of funds under its management, is the ultimate controlling party, which is incorporated in the United States of America.

## 26. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Loss before taxation | **(38,613)** | (35,309) |
| Depreciation and amortisation charges | **38,763** | 39,720 |
| Profit on disposal of fixed assets | **(9,451)** | - |
| Finance costs | **19,373** | 15,741 |
| Finance income | **(39)** | (521) |
| | **10,033** | 19,631 |
| (Increase) in trade and other debtors | **(948)** | (1,010) |
| (Decrease)/increase in trade and other creditors | **(74)** | 2,178 |
| **Cash generated from operations** | **9,011** | 20,799 |

## 27. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

As at **31 March 2022**

| | 31/3/22 £'000 | 31/03/21 £'000 |
|---|---|---|
| Cash and cash equivalents | **36,049** | 3,876 |

As at **31 March 2021**

| | 31/3/21 £'000 | 31/03/20 £'000 |
|---|---|---|
| Cash and cash equivalents | 3,876 | 15,013 |

## 28. ANALYSIS OF CHANGES IN NET DEBT

| | 01/04/21 £000's | Cashflow £000's | NonCash Outflow £000's | 31/03/22 £000's |
|---|---|---|---|---|
| **Net Cash** | | | | |
| Cash at bank and in hand | **3,876** | **32,173** | **-** | **36,049** |
| **Debt** | | | | |
| Finance leases | **(3,264)** | **1,991** | **-** | **(1,273)** |
| Debts falling due within 1 year | **(3,255)** | **(11,745)** | **-** | **(15,000)** |
| Debts falling due after 1 year | **(170,426)** | **7,430** | **(21,958)** | **(184,954)** |
| | **(176,945)** | **(2,324)** | **(21,958)** | **(201,227)** |
| **Total** | **(173,069)** | **29,849** | **(21,958)** | **(165,178)** |

Non-cash movements include interest expense and debt issue cost amortisation

## 29. GOVERNMENT GRANTS

The Group made use of the Research and Development Expenditure Credit scheme (RDEC). Please see note 5, Other Operating Income, for further information.

## 30. PRIOR YEAR RESTATEMENT OF DEBTORS

The Group identified a presentation error in the classification of debtors falling due after more than one year in the consolidated balance sheet as at 31 March 2021. The error has been corrected by reclassifying debtors falling due after more than one year of £21,572,000 to the current assets section of the balance sheet and including the amount within the net current assets calculation, both in accordance with the adopted Companies Act format. The restatement has no impact on the key performance indicators, loan covenants and the remaining primary financial statements.