

SDH Bidco Limited
Financial Statements
31 July 2018



SDH Bidco Limited

Financial Statements

Year ended 31 July 2018

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SDH Bidco Limited

Officers and Professional Advisers

The board of directors

I C Brown
E Greeff
P M Rattle
M C Tomlinson
C P L Winning
M T Biddulph

Registered office

SecureData House
Hermitage Court
Hermitage Lane
Maidstone
Kent
ME16 9NT

Independent Auditors

Grant Thornton UK LLP
Chartered Accountants & Statutory auditors
2nd Floor
St John's House
Haslett Avenue West
Crawley
RH10 1HS

SDH Bidco Limited

Strategic Report

Year ended 31 July 2018

The directors present their Strategic Report together with the audited financial statements for the year ended 31 July 2018.

The principal activity of the company is that of an intermediary holding company.

The principal activity of the group is the provision of cybersecurity services and solutions to business customers in selective geographic markets including the UK, South Africa and the USA.

Business Review and Future Developments

The trading subsidiaries of the SecureData group during the period under review were SecureData Europe Ltd, SensePost (PTY) Ltd and SensePost UK Ltd. These financial statements reflect the performance of the company but to enable a proper understanding of the whole SecureData group (the "Group") the business commentary in this Strategic Report reflects the performance of the Group.

2018 was another very strong year for the SecureData Group with revenue growth of over 23%, gross profit up >18% and adjusted EBITDA growth of 56% to circa £4.1m. During the year the group continued to expand its innovative range of services and solutions as part of its strategy of providing customers with a one stop shop for their cybersecurity needs. The group's established position as the leading independent cybersecurity specialist in the United Kingdom, and its growing success in the markets in which it serves also helped it attract 60 new employees to the business.

During the year the group completed a number of other key initiatives:

- Opened a new sales office in Cape Town as part of its strategy to expand in the South African market.
- Launched its Next Generation Endpoint Security Service – a new managed service designed to help customers keep their endpoint devices safe.
- Attracted over 140 net new customers to the group reflective of the company's focus on marketing and its rising profile and reputation within its principal markets.
- Extended its partnership with Palo Alto Networks by becoming certified as one of their specialist Traps partners (Trap's being PAN's advanced endpoint technology)
- Increased its depth in F5 technology by becoming one of only two Advance Security Provider's in the UK market.
- Strengthened ties with the UK's National Cyber Security Centre (part of GCHQ). In recent times the NCSC operations director visited the SecureData SOC in Maidstone.
- Built strong relationships with some new technology vendors including Varonis, Gemalto and Okta to aid the group's solutions portfolio.
- Expanded its managed service Guardian and Sentinel programs to provide enhanced value to customers.
- Attended and held more educational customer events than ever before. These includes the group hosting Cybersecurity summit events in London, the North of England and Scotland. These initiatives were all aimed at raising the profile of the business.

The Group aims to achieve overall market leadership in its principal geographic markets by maintaining strong organic growth and also making targeted acquisitions.

The prospects for the Group remain strong and the demand for its services remain high all driven by the ever evolving and expanding threat of Cyber activities and the skills and experience of the Group's personnel.

SDH Bidco Limited

Strategic Report *(continued)*

Year ended 31 July 2018

Turning to key results for the period under review:

- Revenue grew circa 23% to £43.6m and gross margin grew circa 18% to £21m
- Adjusted EBITDA for year representing EBITDA adjusted for exceptional M & A charges of £0.1m, investment activities of £0.29m, investment and bank fees of £0.1m and forex of (£0.04m) was £4.13m – growth of 56% over the prior year.
- All principal service lines reported increases in sales. In particular managed services grew 24% to £25.9m.
- Operating cash flow was very strong at £4.2m and the Group closed the year with net cash (cash and cash equivalents at the end of the year less bank loans and overdrafts) of £5.1m compared to net cash of £0.15m for the prior period.
- The negative position of the Group statement of financial position is due to the circa £23.7m of shareholder unsecured loan notes which are not due for redemption until May 2020.

The board looks forward to continuing to develop the growth trajectory of the business over the coming year.

Principal Risks and Uncertainties

The Group faces a number of regular business risks and uncertainties including potential changes to the economic and regulatory environment in its target markets. The Group may also be impacted by the financial loss of either a customer failing to meet its contractual obligations or a supplier failing to extend suitable lines of credit. The Group mitigates such risks by implementing policies that require customers to satisfy credit worthiness procedures and also not relying on a single supplier.

The Group sells cybersecurity products and software from a variety of vendors and inherently there is a risk that the vendor may change its distribution policies or offer less favourable terms. The Group however works with a variety of vendors in order to provide a broad range of solutions to its customers and also to mitigate such risks.

The Group's services and operations are delivered by skilled and experienced employees and thus the Group is reliant upon its ability to attract and retain the correct mix of employees to fulfil its business needs. The Group invests considerable management time and financial resources to provide various incentive, training and career progression opportunities for its employees including the development of its academy programs.

The Group regularly purchases goods in other currencies – most significantly the US dollar and the Group is therefore exposed to currency risk. The Group updates its sales prices on a regular basis to reflect currency fluctuations and continually monitors this exposure and considers hedging strategies when appropriate.

SDH Bidco Limited

Strategic Report *(continued)*

Year ended 31 July 2018

This report was approved by the board of directors on 18th January 2019 and signed on behalf of the board by:



I C Brown
Director

Registered office:
SecureData House
Hermitage Court
Hermitage Lane
Maidstone
Kent

01234 56789

SDH Bidco Limited

Directors' Report

Year ended 31 July 2018

The directors present their report and the audited financial statements of the company for the year ended 31 July 2018.

Matters covered in the strategic report

Information relating to business activities, likely future developments in the business, its financial position and its exposure to risks have been disclosed within the Group Strategic Report in accordance with S414c(ii) of the Companies Act 2006.

Directors

The directors who served the company during the year were as follows:

I D Grant	(Resigned 28 September 2017)
E Greeff	
P M Rattle	
M C Tomlinson	
I C Brown	
C P L Winning	
M T Biddulph	(Appointed 28 September 2017)

Statement of directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

SDH Bidco Limited

Directors' Report *(continued)*

Year ended 31 July 2018

Statement of disclosure of information to auditors

The directors confirm that:

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

This report was approved by the board of directors on 18th January 2019 and signed on behalf of the board by:



C P L Winning
Director

Registered office:
SecureData House
Hermitage Court
Hermitage Lane
Maidstone
Kent
ME16 9NT

SDH Bidco Limited

Independent Auditor's Report to the members of SDH Bidco Limited

Year ended 31 July 2018

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of SDH Bidco Limited (the 'company') for the year ended 31 July 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Who we are reporting to

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

Conclusions relating to going concern

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

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



Overview of our audit approach

- Overall materiality: £375,000, which represents 1.5% of the company's total assets;
- The key audit matter identified was accounting for interest payable; and
- We performed full scope audit procedures on the financial statements of the company.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters

How the matter was addressed in the audit

Accounting for interest payable

Interest payable is a significant, material balance in the statement of comprehensive income. The directors / Management notified us of a possible difference on interest payable on the related unsecured loan notes based on the contracted interest rates stated therein. We therefore identified accounting for interest payable as a significant risk, which was one of the most significant assessed risks of material misstatement.

Our audit work included, but was not restricted to:

- considering the appropriateness of the company's accounting for interest payable by corroborating the interest payable to signed agreements to assess whether interest had been accounted for in accordance with the terms set out therein;
- assessing whether the accounting treatment applied was in accordance with United Kingdom Generally Accepted Accounting Practice; and
- performing a recalculation of the expected interest charge based on the signed agreements and contracted interest rates across the term of the loan, including prior periods, and comparing it to the company's calculations.

SDH Bidco Limited

Independent Auditor's Report to the members of SDH Bidco Limited *(continued)*

Year ended 31 July 2018

Key Audit Matters	How the matter was addressed in the audit
	Key observations A material misstatement was identified in respect of interest recognised during the year, and during prior periods. The misstatement in respect of the current year was adjusted for during the year, and the misstatement and adjustment in respect of prior periods is set out in note 22 to the financial statements.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

We determined materiality for the audit of the financial statements as a whole to be £375,000, which is 1.5% of the company's total assets. This benchmark is considered the most appropriate because the company's primary focus is the holding of its investment.

Materiality for the current year is higher than the level that we determined for the year ended 31 July 2017 as total assets have increased this year.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 70% of financial statement materiality.

We also determine a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the audit committee to be £18,750. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the company's business, its environment and risk profile and in particular included:

- undertaking a planning visit to evaluate the company's internal control environment, performing an evaluation of the design effectiveness of controls over key financial statement risk areas identified as part of our audit risk assessment and selecting certain transactions on sample basis to test during our procedures at the final audit stage; and
 - performing full scope audit procedures on the financial statements of the company.
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SDH Bidco Limited

Independent Auditor's Report to the members of SDH Bidco Limited *(continued)*

Year ended 31 July 2018

Other information

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

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

We have nothing to report in this regard.

Our opinions on other matters prescribed by the Companies Act 2006 are unmodified

In our opinion, based on the work undertaken in the course of the audit:

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

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the

SDH Bidco Limited

Independent Auditor's Report to the members of SDH Bidco Limited *(continued)*

Year ended 31 July 2018

preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Grant Thornton UK LLP

Christian Heeger BSc FCA

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Crawley

18th January 2019

SDH Bidco Limited

Statement of Comprehensive Income

Year ended 31 July 2018

	Note	2018 £	As restated 2017 £
Administrative expenses		28,843	348,307
Operating loss		<u>(28,843)</u>	<u>(348,307)</u>
Other interest receivable and similar income	6	–	67,706
Interest payable and similar charges	7	3,180,614	2,942,675
Loss on ordinary activities before taxation		<u>(3,209,457)</u>	<u>(3,223,276)</u>
Dividends Received		–	1,289,744
Tax on loss on ordinary activities	8	(135,804)	–
Loss for the financial year and total comprehensive income		<u><u>(3,073,653)</u></u>	<u><u>(1,933,532)</u></u>

All the activities of the company are from continuing operations.

There were no recognised other comprehensive income movements for the current year other than amounts included in the statement of comprehensive income.

The notes on pages 15 to 22 form part of these financial statements.

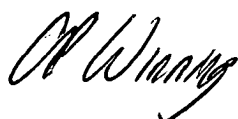
SDH Bidco Limited

Statement of Financial Position

As at 31 July 2018

	Note	2018 £	Restated 2017 £
Fixed assets			
Investments	9	24,962,372	24,962,372
Current assets			
Debtors: amounts falling due after more than one year	11	–	13,683
Debtors	10	150,093	80,302
Cash at bank and in hand		1,930	1,519
		<u>152,023</u>	<u>95,504</u>
Creditors: amounts falling due within one year	12	<u>16,163,316</u>	<u>12,571,562</u>
Net current liabilities		<u>(16,011,293)</u>	<u>(12,476,058)</u>
Total assets less current liabilities		<u>8,951,079</u>	<u>12,486,314</u>
Creditors: amounts falling due after more than one year	13	<u>26,152,730</u>	<u>26,614,312</u>
Net liabilities		<u>(17,201,651)</u>	<u>(14,127,998)</u>
Capital and reserves			
Called up share capital	15	212,241	212,241
Profit and loss account	16	(17,413,892)	(14,340,239)
Total Shareholders' deficit		<u>(17,201,651)</u>	<u>(14,127,998)</u>

These financial statements were approved by the board of directors and authorised for issue on 18th January 2019, and are signed on behalf of the board by:



C P L Winning
Director

Company registration number: 07930752

The notes on pages 15 to 22 form part of these financial statements.

SDH Bidco Limited

Statement of Changes in Equity

Year ended 31 July 2018

	Called up share capital £	Restated Profit and loss account £	Total Shareholders' deficit £
At 1 August 2016	212,241	(12,406,707)	(10,072,286)
Loss for the financial year	—	(1,933,532)	(1,933,532)
Total comprehensive income for the year	—	(1,933,532)	(1,933,532)
At 31 July 2017	212,241	(14,340,239)	(14,127,998)
Loss for the financial year	—	(3,073,653)	(3,073,653)
Total comprehensive income for the year	—	(3,073,653)	(3,073,653)
At 31 July 2018	<u>212,241</u>	<u>(17,413,892)</u>	<u>(17,201,651)</u>

The notes on pages 15 to 22 form part of these financial statements.

SDH Bidco Limited

Notes to the Financial Statements

Year ended 31 July 2018

1. Statement of compliance

SDH Bidco Limited is a limited liability company incorporated in England. The registered office is SecureData House, Hermitage Court, Hermitage Lane, Maidstone, Kent ME16 9NT.

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' and the Companies Act 2006.

2. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost basis, and in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Financial reporting standard 102 – reduced disclosure exemption

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements SDH Holdco Limited which can be obtained from SecureData House, Hermitage Court, Hermitage Lane, Maidstone, Kent, ME16 9NT. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- Section 4.12 (a) (iv) Disclosures in respect of the Statement of Financial Position have not been presented
- Section 3.17 (d) No Statement of Cash Flows has been presented for the company
- Section 7 Disclosures in respect of the Statement of Cash Flows have not been presented
- Section 11.39 to 11.48A Disclosures in respect of financial instruments have not been presented
- Financial statement disclosures applicable to Section 12.26 to 12.29 have not been presented
- Section 33.7 No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The entity has taken advantage of the exemption from preparing consolidated financial statements contained in Section 400 of the Companies Act 2006 on the basis that it is a subsidiary undertaking and its results are included within the consolidated financial statements of its immediate and ultimate parent undertaking, SDH Holdco Limited, an entity incorporated in the United Kingdom.

Going concern

During the period the company made a loss of £3,073,653 (2017: £1,933,532) and the statement of financial position shows net liabilities of £17,201,651 (2017: £14,127,998). The directors have considered the basis of preparation of the financial statements and have concluded that it is appropriate to prepare these on the going concern basis. The company has sufficient funds and can manage its cash flows to be able to manage its liabilities as they fall due for a period of not less than 12 months. The directors are of this opinion due to the financial prospects of the group and the historical profitability and cash generation of its trading subsidiaries.

SDH Bidco Limited

Notes to the Financial Statements *(continued)*

Year ended 31 July 2018

2. Accounting policies *(continued)*

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the statement of comprehensive income.

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Interest

Interest is calculated based on the terms agreed with the lender. If there is any difference between the net present value of future cash flows this is accrued accordingly.

Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured at the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the assets original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

SDH Bidco Limited

Notes to the Financial Statements *(continued)*

Year ended 31 July 2018

2. Accounting policies *(continued)*

Financial instruments *(continued)*

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset, and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires the company to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have the most significant effect on the amounts recognised in the financial statements are as follows:

Significant judgements

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference. Deferred tax balances are not discounted. (see note 14).

3. Employee information

No salaries or wages have been paid to employees during the current period.

4. Analysis of operating loss before tax

Operating loss is stated after charging:

	2018 £	As restated 2017 £
Amortisation of loan notes and non-utilisation fees	93,904	124,159

5. Auditor's remuneration

	2018 £	2017 £
Fees payable for the audit of the financial statements	12,000	12,000
Fees payable to the company's auditor and its associates for other services:		
Non-audit services	—	33,658

SDH Bidco Limited

Notes to the Financial Statements *(continued)*

Year ended 31 July 2018

6. Other interest receivable and similar income

	2018 £	2017 £
Interest from group undertakings	–	67,706

7. Interest payable and similar charges

	2018 £	As restated 2017 £
Interest on banks loans and overdrafts	289,470	351,259
Interest due to group undertakings	275,564	247,232
Other interest payable and similar charges	2,615,580	2,344,184
	<u>3,180,614</u>	<u>2,942,675</u>

8. Tax on loss on ordinary activities

Major components of tax (income)/expense

	2018 £	2017 £
Deferred tax (note 14):		
Origination and reversal of timing differences	(135,804)	–
Tax on loss on ordinary activities	<u>(135,804)</u>	<u>–</u>

Reconciliation of tax (income)/expense

The tax assessed on the loss on ordinary activities for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 19.67%).

	2018 £	As restated 2017 £
Loss on ordinary activities before taxation	(3,209,457)	(2,958,004)
Loss on ordinary activities by rate of tax	(609,797)	(634,018)
Effect of expenses not deductible for tax purposes	270,515	411,754
Group relief	399,952	142,623
Losses and other attributes not recognised	–	79,641
Utilisation of deferred tax not previously recognised	(122,040)	–
Movement in deferred tax asset not recognised	(80,894)	–
Effect of change in tax rate	6,460	–
Tax on loss on ordinary activities	<u>(135,804)</u>	<u>–</u>

SDH Bidco Limited

Notes to the Financial Statements *(continued)*

Year ended 31 July 2018

9. Investments

	Shares in group undertakings £
Cost	
At 1 Aug 2017	<u>24,962,372</u>
Carrying amount	
At 31 July 2018	<u>24,962,372</u>
Subsidiaries	

The Company had investments in the following subsidiary entities during the year:

Name	% Holding	Principal Activity	Country of Incorporation
SDH UK Limited	100%	Holding company	England & Wales
SensePost Interco Limited	100% *	Holding company	England & Wales
SensePost (PTY) Limited	100%	Cybersecurity professional services	Republic of South Africa
Quadrant Networks Limited	100%	Dormant company	England & Wales
Cygnia Technologies Limited	100%	Cybersecurity services and solutions	England & Wales

SensePost Interco Limited was dissolved on the 31 July 2018.

SensePost (PTY) Limited holds 100% of the ordinary share capital of SensePost UK Limited a cybersecurity professional services provider incorporated in England & Wales.

The following companies are 100% subsidiaries of SDH UK Limited and SensePost Interco Limited:

Name	% Holding	Principal Activity	Country of Incorporation
SecureData Europe Limited	100%	Cybersecurity services and solutions	England & Wales
SecureData Finance Limited	100%	Finance solutions	England & Wales
SensePost Newco Limited	100%	Holding company	England & Wales

SensePost Newco Limited was dissolved on the 31 July 2018.

All subsidiaries' registered office is SecureData House, Hermitage Court, Hermitage Lane, Maidstone, Kent ME16 9NT except SensePost (PTY) Limited & SensePost UK Limited. SensePost (PTY) Limited registered office is Unit 2SS, 2nd Floor, Menlyn Corner, 87 Frikkie De Beer Street, Menlyn, Pretoria, South Africa, and SensePost UK Limited registered office is Bank House, 81 St Judes Road, Englefield Green, Surrey, TW20 0DF.

SDH Bidco Limited

Notes to the Financial Statements *(continued)*

Year ended 31 July 2018

10. Debtors

	2018 £	2017 £
Deferred tax (note 14)	135,804	–
Prepayments and accrued income	14,289	80,302
	<u>150,093</u>	<u>80,302</u>

11. Debtors: amounts falling due after more than one year

	2018 £	2017 £
Amounts owed by group undertakings	–	13,683

12. Creditors: amounts falling due within one year

	2018 £	2017 £
Bank loans and overdrafts	3,653,590	1,551,803
Amounts owed to group undertakings	12,220,239	10,732,405
Accruals and deferred income	289,487	287,354
	<u>16,163,316</u>	<u>12,571,562</u>

Bank loans are secured by way of a fixed and floating charge over the assets of the company.

Amounts owed to group undertakings are interest free and unsecured.

13. Creditors: amounts falling due after more than one year

	2018 £	Restated 2017 £
Bank loans and overdrafts	–	3,351,751
Amounts owed to group undertakings	2,494,150	2,219,562
Unsecured Loan notes	23,658,580	21,042,999
	<u>26,152,730</u>	<u>26,614,312</u>

Bank loans are secured by way of a fixed and floating charge over the assets of the company.

Amounts owed to group undertakings are unsecured and interest bearing as at 31 July 2018 were £2,494,150 (2017: £2,219,562).

Loan notes accrue interest between 12.5% and 20.25% and are due for repayment in May 2020.

SDH Bidco Limited

Notes to the Financial Statements *(continued)*

Year ended 31 July 2018

14. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2018 £	2017 £
Included in debtors (note 10)	<u>135,804</u>	<u>–</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2018 £	2017 £
Losses and other deductions	<u>135,804</u>	<u>–</u>

The company has estimated tax losses of £584,921 (2017: £584,921) available to carry forward against future profits. A deferred tax asset of £99,437 (2017: £99,437) has not been recognised in the financial statements in respect of these losses due to the uncertainty over whether they will be utilised against future periods.

15. Called up share capital

Issued, called up and fully paid

	2018		2017	
	No.	£	No.	£
Ordinary shares of £1 each	<u>212,241</u>	<u>212,241</u>	<u>212,241</u>	<u>212,241</u>

16. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

17. Contingencies

An unlimited composite cross guarantee between all group companies has been given to the Group's principal bankers. At July 2018 borrowings held in the company in respect of this guarantee amounted to £3,653,590 (2017: £4,903,554). The multicurrency revolving credit facility is available to the company until April 2018.

18. Commitments

As at 31 July 2018 the company had no capital commitments or contracts for capital expenditure in place in the year (2017: £Nil).

19. Related party transactions

The company has taken advantage of the exemption available under FRS 102 from the requirement to disclose inter-group transactions and balances where 100% of the voting rights are controlled within the group and consolidated financial statements are prepared by the ultimate parent company.

No other transactions require disclosure under FRS 102.

SDH Bidco Limited

Notes to the Financial Statements *(continued)*

Year ended 31 July 2018

20. Controlling party

The company's immediate and ultimate parent company is SDH Holdco Limited, a company incorporated in England and Wales. This is the largest level at which consolidated financial statements are prepared.

Copies of the consolidated financial statements of SDH Holdco Limited can be obtained from;

SecureData House
Hermitage Court
Hermitage Lane
Maidstone
Kent
ME16 9NT

21. Events after the reporting period

The directors are not aware of any events after the reporting period which would materially affect the accounts.

22. Prior period adjustment

During the year it was identified that a loan had not been valued in accordance with the net present value of future cash flows as required under FRS102. As a result, due to a change in expectation as to the expected date for repayment of this loan the carrying value should have been revised as of 1 July 2016. The impact of this change is shown in the table below:

	As Reported 2017 £	Adjustment 2017 £	Restated 2017 £
Statement of Comprehensive Income			
Loss on ordinary activities before taxation	(2,958,004)	(265,272)	(3,223,276)
Loss for the financial year and comprehensive income	(1,668,260)	(265,272)	(1,933,532)
Statement of Financial Position			
Creditors: amounts falling due after more than one year	24,226,860	2,387,452	26,614,312
Net Liabilities	(11,740,546)	(2,387,452)	(14,127,998)
Profit and loss account	(11,952,787)	(2,387,452)	(14,340,239)
Statement of Changes in Equity			
Profit and loss account			
At 1 August 2015	(6,792,275)	-	(6,792,275)
Loss for the financial year	(3,492,252)	(2,122,180)	(5,614,432)
Total comprehensive income for the year	(3,492,252)	(2,122,180)	(5,614,432)
At 31 July 2016	(10,284,527)	(2,122,180)	(12,406,707)
Loss for the financial year	(1,668,260)	(265,272)	(1,933,532)
Total comprehensive income for the year	(1,668,260)	(265,272)	(1,933,532)
At 31 July 2017	(11,740,546)	(2,387,252)	(14,340,239)
