

Company Registration No. 10437992 (England and Wales)

SAPLING MIDCO LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2020

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SAPLING MIDCO LIMITED

COMPANY INFORMATION

| | |
|--------------------------|--|
| Directors | P M Solomon P M Mckay J Antunes |
| Company number | 10437992 |
| Registered office | 6 Quartz Point Stonebridge Road Coleshill Birmingham West Midlands B46 3JL |
| Auditor | RSM UK Audit LLP Chartered Accountants St Philips Point Temple Row Birmingham West Midlands B2 5AF |

SAPLING MIDCO LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present their Strategic Report and the financial statements of Sapling Midco Limited for the year ended 31 March 2020.

Principal activities

The principal activity of the company during the year was that of a holding company.

Review of the business

The company made a loss for the year of £1,951,683 (2019: £1,025,167) due to interest payable and funding costs.

Future developments

Despite the current COVID-19 pandemic and the impact that has had on the ERP and SAP UK marketplace, the Board remain extremely positive about the prospects of the group in both the short and long-term. This is evidenced through the appetite for our support model, our proposition for helping customers move from SAP ECC to S/4 HANA, our increased Cloud capability in both ERP, HR and CRM and the ability to offer customers a seamless service more through our Kinship partners initiative.

Additionally, as a platinum SAP partner who are part of the global united VAR programme which enhances our capability and expands our delivery capability globally.

Principal risks and uncertainties

The principal risks and uncertainties faced by the company is the ability to repay existing financing arrangements. The company's operations expose it to interest rate risk and cash flow risk.

The company's funding is provided via loan notes, however, interest rate risk is limited as the rate is fixed for the term of the facility.

The company is dependent on the wider group in order to meet its obligations as they fall due. The company monitors cash flow as part of its day to day procedures. The Board considers cash flow projections constantly and ensures that the appropriate facilities are available to be drawn upon as necessary.

The company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

Cash flow risk

The company manages this risk by financing its operations through retained profits.

Credit risk

The company's principal financial assets are bank balances and cash and other receivables. The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

SAPLING MIDCO LIMITED


STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

Key performance indicators

Given the simple nature of the company the directors do not believe further analysis using key performance indicators is necessary for further understanding of financial performance.

On behalf of the board



P M Solomon

Director

18th December 2020

SAPLING MIDCO LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present their annual report and financial statements for the year ended 31 March 2020.

Directors

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

| | |
|-------------|------------------------------|
| P M Solomon | |
| O Vaughan | (Resigned 30 September 2019) |
| P M McKay | (Appointed 11 February 2020) |
| J Antunes | (Appointed 11 February 2020) |

Results and dividends

The results for the year are set out on page 10.

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

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Post reporting date events

On 11 March 2020, shortly before the company's year end, the outbreak of the coronavirus, Covid-19, was declared by the World Health Organisation to be a pandemic. The directors response to the rapidly changing situation has continued to impact the company in the period after the reporting date.

The directors have considered the impact of Covid-19 on the ability of the company to continue in operational existence over a period of at least twelve months from the date of approval of these financial statements. From the start of the outbreak to today, management have approached the pandemic focused on the wellbeing of its staff, including doing all we can to provide a safe working environment to keep our team healthy and keeping the business strong and thus ensuring their role in it. We took decisions early and acted with speed due to the uncertainty at the time, which included the following actions:

- We moved our entire team to working from home, which we continue to do. Our infrastructure was in place and we were able to continue to offer support to all our customers remotely. While we have ensured our premises are Covid-19 friendly and ready to welcome the team back, we continue to work from home for as long as the government guidance recommends it.
- We took the difficult decision to Furlough a number of our team, with full appreciation of what this meant. We topped up the salaries of our impacted team members beyond what the government offering was. In addition, the Senior Management Team took a pay cut for a Quarter.
- We spent time reviewing our Go To Market strategy, with full knowledge that we were going to be entering a more competitive landscape when exiting the pandemic due to the number of capital project delays we had evidenced.
- We doubled our cash collection efforts, recognising that liquidity would be under pressure.

As we are now in our second national lockdown, we have been successful in our approach to date, and both our profitability and liquidity is strong as we approach the final quarter of our fiscal year. Our Go To Market review – and subsequent changes as a result – leave us confident that the business is in rude health for the year ahead.

SAPLING MIDCO LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

Going concern

At the time of approving the financial statements, the company had net liabilities of £3,988,769 (2019: £2,037,086) and losses of £1,951,683 (2019: £1,025,167).

The company is reliant on other group entities for financial support. The underlying trading businesses of the group are highly profitable and all generate strong positive cash flow.

The group is cash generative, with a net cash inflow from operations of £2.4m (2019: £6m). The cash balance at 31 March 2020 was £6.1m (2019: £9.4m). The results of the group since 31 March 2020 and forecasts prepared indicate that the group is able to continue to operate within its current facilities.

The financial position of the group as at 31 March 2020 is a net liability position of £81.1m (2019: £51.3m) again due to the debt funded balance sheet the group has following the private equity investment. The bank debt has monthly interest repayments and a capital repayment profile which the trading companies will settle via their profits. The management loan notes and attached interest are rolling up until 2026 in the event of another capital transaction taking place rather than them being immediate liabilities that the group has to meet.

As a result of the Covid-19 lockdown measures introduced by the UK Government in March 2020, the group took steps to preserve cash and requested to defer a bank repayment which was scheduled to be made on 31 March 2020. This deferral was approved by the lenders, but formal sign off for the group's amended leverage covenant did not take place until 1 April 2020. As a result, the group was technically in breach of this loan covenant at 31 March 2020 and this situation was rectified within 24 hours. The cashflow covenant in this amendment agreement was not correctly amended to reflect the revised repayment profile. The lenders are aware of this error and have now approved a further amendment to the agreement and waived this covenant at 31 March 2020, however this rectification was not in place at the 31 March 2020. However, the group was technically in breach of its loan facilities at the reporting date and the outstanding loan balances have been reclassified as current in the financial statements.

At the date of approving these financial statements, following continued improvements in trading performance, the group is now in compliance with all amended covenants and all rescheduled payments have been made on schedule.

The directors are comfortable with the position for the next 12 months from the date of signature of the financial statements as the underlying financial position of the trading companies of the group remain strong with net asset positions being reported.

Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Strategic report

Information on financial risk management objectives and policies as required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 including principle risks and uncertainties has been included in the Strategic Report.

SAPLING MIDCO LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006.

The Board of Directors consider that they have acted in a way they consider would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the act) in the decisions taken during the year ended 31 March 2020 and in the approval of the business plan for 2021.

As the Board of Directors, our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within high standards of business conduct and good governance.

The Directors' intention is to behave responsibly towards our stakeholders and treat them fairly and equally, so they too may benefit from the successful delivery of our plan.

When making strategic decisions the Directors have taken into account the likely consequences of these decisions in the long term.

Employees

Our employees are the cornerstone of our business and as such are highly valued at Edenhouse. Retention is a key focus of the business, evidenced by the remuneration levels, training support, and working environment provided.

In addition to a number of other flexible benefits offered to employees, the company provides private healthcare and an Employee Assistance Programme; this benefit is designed to help Employees and their families deal with personal and professional problems which could be affecting their home or work life, health and general wellbeing. Under this free to use program confidential support is available and, dependent on the nature of the issue, counselling or information services are provided by fully qualified professionals.

The directors continuously review the performance management process to ensure the progression and training of employees is maximized. This compliments the employee bonus scheme and succession planning process, which is key to the company's future success.

The directors believe it is important to keep all employees informed and this is achieved by quarterly presentations to all employees and bi-weekly newsletters on the company intranet pages.

The company also runs an employee recognition programme called "Limelight Awards" which allows employees to nominate fellow colleagues for recognition by senior management and receive an award on a quarterly basis.

SAPLING MIDCO LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

Foster the company's business relationships with suppliers, customers and others.

As a business we are focused on ensuring our current and future customers maximize the benefits of their investments into SAP technology, whether that be through initial implementation of the technology or the ongoing support of the system.

Business relationships with suppliers, customers and others are key to the success of Edenhouse. Regular contact is maintained to foster mutually beneficial and informed relationships, which includes the management of a technology roadmap.

The company is committed to fair payment practices for all our valued suppliers.

Considered the impact of the company's operations on the community & environment

The company actively encourages its employees to take time to support the local community, and promotes this through various fund raising events during the year. The company has also donated Mind, a local mental health charity in Birmingham.

Edenhouse is an ISO 9001: 2015 and 27001: 2013 certified organization.

The company has an energy management and monitoring program and also operates an environmental policy which sits within our overall CSR policy. Further, the company has an LED replacement programme.

We also comply with WEEE directives regarding disposal of electrical equipment.

How does the company maintain a reputation for high standards of business conduct.

The company operates with a framework of values, which are Knowledge, Integrity, Innovation and Collaboration. These values are central to our decision making and all new recruits are assessed against them

The company has a statement on the Modern Slavery Act and human trafficking on its website. The directors are aware of both their own and the Group's duties and responsibilities under the Bribery Act 2010 and act appropriately.

Understands the need to act fairly between stakeholders of the company

The directors understand the need to act fairly between stakeholders of the company. Board meetings are held monthly, at which the ongoing performances is monitored and future plans are discussed. These meetings are attended by both senior management team and majority shareholders.

On behalf of the board



P M Solomon

Director

18th December 2020

SAPLING MIDCO LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

The directors are responsible for preparing the Strategic Report and 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 have been followed; subject to any material departures disclosed and explained in the financial statements;
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAPLING MIDCO LIMITED

Opinion

We have audited the financial statements of Sapling Midco Limited (the 'company') for the year ended 31 March 2020 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAPLING MIDCO LIMITED (CONTINUED)

Matters on which we are required to report by exception

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 and the directors' report.

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

- adequate accounting records have not been kept, 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

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

RSM UK Audit LLP

Benjamin Lawrance (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham
West Midlands, B2 5AF
18th December 2020

SAPLING MIDCO LIMITED

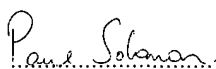
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

| | Notes | 2020 £ | 2019 £ |
|---|-------|-------------|-------------|
| Interest receivable from group undertakings | 5 | 7,741,436 | 7,741,436 |
| Interest payable and similar expenses | 6 | (9,693,119) | (8,766,603) |
| Loss before taxation | | (1,951,683) | (1,025,167) |
| Tax on loss | 7 | - | - |
| Loss for the financial year | | (1,951,683) | (1,025,167) |

SAPLING MIDCO LIMITED**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

| | Notes | 2020 £ | £ | 2019 £ | £ |
|--|-------|-------------|---------------|------------|--------------|
| Fixed assets | | | | | |
| Investments | 8 | | 359,613 | | 359,613 |
| Current assets | | | | | |
| Debtors falling due after more than one year | 10 | 56,843,168 | | 52,566,162 | |
| Debtors falling due within one year | 10 | 44,379,571 | | 40,915,141 | |
| | | 101,222,739 | | 93,481,303 | |
| Net current assets | | | 101,222,739 | | 93,481,303 |
| Total assets less current liabilities | | | 101,582,352 | | 93,840,916 |
| Creditors: amounts falling due after more than one year | 11 | | (105,571,121) | | (95,878,002) |
| Net liabilities | | | (3,988,769) | | (2,037,086) |
| Capital and reserves | | | | | |
| Called up share capital | 12 | | 359,613 | | 359,613 |
| Profit and loss reserves | 13 | | (4,348,382) | | (2,396,699) |
| Total equity | | | (3,988,769) | | (2,037,086) |

The financial statements were approved by the board of directors and authorised for issue on 18th December 2020 and are signed on its behalf by:



P M Solomon
Director

SAPLING MIDCO LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

| | Share capital £ | Profit and loss reserves £ | Total £ |
|--|-----------------------|-------------------------------------|-------------|
| Balance at 1 April 2018 | 359,613 | (1,371,532) | (1,011,919) |
| Year ended 31 March 2019: | | | |
| Loss and total comprehensive income for the year | - | (1,025,167) | (1,025,167) |
| Balance at 31 March 2019 | 359,613 | (2,396,699) | (2,037,086) |
| Year ended 31 March 2020: | | | |
| Loss and total comprehensive income for the year | - | (1,951,683) | (1,951,683) |
| Balance at 31 March 2020 | 359,613 | (4,348,382) | (3,988,769) |

SAPLING MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

Company information

Sapling Midco Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is 6 Quartz Point, Stonebridge Road, Coleshill, Birmingham, West Midlands, B46 3JL.

The company's principal activities and nature of its operations are disclosed in the Strategic Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

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

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Reduced disclosures

In accordance with FRS 102, the company has taken advantage of the exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 11 'Basic Financial Instruments' – Carrying amounts and interest expense for each category of financial instrument recognised in profit or loss; and
- Section 33 'Related Party Disclosures' - Compensation for key management personnel

Sapling Midco Limited is a wholly owned subsidiary of Sapling Topco Limited and the results of Sapling Midco Limited are included in the consolidated financial statements of Sapling Topco Limited which are available from 6 Quartz Point, Stonebridge Road, Coleshill, Birmingham, West Midlands, B46 3JL.

Consolidated financial statements

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

SAPLING MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies (Continued)

Going concern

At the time of approving the financial statements, the company had net liabilities of £3,988,769 (2019: £2,037,086) and losses of £1,951,683 (2019: £1,025,167).

The company is reliant on other group entities for financial support. The underlying trading businesses of the group are highly profitable and all generate strong positive cash flow.

The group is cash generative, with a net cash inflow from operations of £2.4m (2019: £6m). The cash balance at 31 March 2020 was £6.1m (2019: £9.4m). The results of the group since 31 March 2020 and forecasts prepared indicate that the group is able to continue to operate within its current facilities.

The financial position of the group as at 31 March 2020 is a net liability position of £81.1m (2019: £51.3m) again due to the debt funded balance sheet the group has following the private equity investment. The bank debt has monthly interest repayments and a capital repayment profile which the trading companies will settle via their profits. The management loan notes and attached interest are rolling up until 2026 in the event of another capital transaction taking place rather than them being immediate liabilities that the group has to meet.

As a result of the Covid-19 lockdown measures introduced by the UK Government in March 2020, the group took steps to preserve cash and requested to defer a bank repayment which was scheduled to be made on 31 March 2020. This deferral was approved by the lenders, but formal sign off for the group's amended leverage covenant did not take place until 1 April 2020. As a result, the group was technically in breach of this loan covenant at 31 March 2020 and this situation was rectified within 24 hours. The cashflow covenant in this amendment agreement was not correctly amended to reflect the revised repayment profile. The lenders are aware of this error and have now approved a further amendment to the agreement and waived this covenant at 31 March 2020, however this rectification was not in place at the 31 March 2020. However, the group was technically in breach of its loan facilities at the reporting date and the outstanding loan balances have been reclassified as current in the financial statements.

At the date of approving these financial statements, following continued improvements in trading performance, the group is now in compliance with all amended covenants and all rescheduled payments have been made on schedule.

The directors are comfortable with the position for the next 12 months from the date of signature of the financial statements as the underlying financial position of the trading companies remain strong with net asset positions being reported.

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

SAPLING MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies (Continued)

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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 the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include amounts owed by group undertakings, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. 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.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including debenture loans 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 payments discounted at a market rate of interest.

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

SAPLING MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies (Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The estimates and assumptions which have a significant risk are:

Impairment of fixed asset investments

Determining whether fixed asset investments are impaired requires an estimation of the value in use of the cash generating units to which these assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. The carrying value of investments is £359,613 (see note 8).

3 Auditors remuneration

Fees payable of £3,500 (2019: £3,000) to RSM UK Audit LLP and its associates in respect of auditor remuneration is met by Edenhouse Solutions Limited. A further £1,200 (2019: £1,200) fees have been incurred in respect of taxation services and £3,800 (2019: £3,050) fees have been incurred in respect of all other non-audit other services provided by RSM UK Audit LLP and its associates.

SAPLING MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

4 Employees

The average monthly number of persons (including directors) employed by the company during the period was 3 (2019: 3).

No directors received any emoluments in respect of their service to the company.

5 Interest receivable and similar income

| | 2020 | 2019 |
|---|-----------|-----------|
| | £ | £ |
| Interest income | | |
| Interest receivable from group undertakings | 7,741,436 | 7,741,436 |

6 Interest payable and similar expenses

| | 2020 | 2019 |
|---|------------------|------------------|
| | £ | £ |
| Amortisation of debt issue costs | 65,801 | 65,801 |
| Interest payable to group undertakings | 56,436 | 56,436 |
| Other interest on financial liabilities | 9,570,882 | 8,644,366 |
| | <u>9,693,119</u> | <u>8,766,603</u> |

7 Taxation

The total tax charge for the year included in the statement of comprehensive income can be reconciled to the loss before tax multiplied by the standard rate of tax as follows:

| | 2020 | 2019 |
|--|-------------|-------------|
| | £ | £ |
| Loss before taxation | (1,951,683) | (1,025,167) |
| Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%) | (370,820) | (194,782) |
| Tax effect of expenses that are not deductible in determining taxable profit | 1,798,040 | - |
| Tax effect of income not taxable in determining taxable profit | (1,470,873) | (19,995) |
| Group relief | 23,556 | 84,279 |
| Change in deferred tax rates | (19,951) | - |
| Deferred tax not recognised | 40,048 | 130,498 |
| Taxation charge for the year | <u>-</u> | <u>-</u> |

SAPLING MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

8 Fixed asset investments

| | Notes | 2020 £ | 2019 £ |
|-----------------------------|-------|-----------|-----------|
| Investments in subsidiaries | 9 | 359,613 | 359,613 |

Movements in fixed asset investments

| | Shares in group undertakings £ |
|---|---|
| Cost or valuation At 1 April 2019 & 31 March 2020 | 359,613 |
| Carrying amount At 31 March 2020 | 359,613 |
| At 31 March 2019 | 359,613 |

9 Subsidiaries

Details of the company's subsidiaries at 31 March 2020 are as follows:

| Name of undertaking | Registered office | Nature of business | Class of shares held | % Held Direct Indirect |
|--------------------------------|-------------------|-----------------------------|----------------------|---------------------------|
| Edenhouse Dynamics Limited | See below | Dormant | Ordinary | - 100.00 |
| Edenhouse ERP Holdings Limited | See below | Holding company | Ordinary | - 100.00 |
| Edenhouse Solutions Limited | See below | Software support company | Ordinary | - 100.00 |
| Edenone Solutions Limited | See below | Software solutions provider | Ordinary | - 100.00 |
| Maven Solutions Limited | See below | Dormant | Ordinary | - 100.00 |
| Sapling Bidco Limited | See below | Holding company | Ordinary | 100.00 - |

The registered office for the companies above is 6 Quartz Point, Stonebridge Road, Coleshill, Birmingham, West Midlands, United Kingdom, B46 3JL.

10 Debtors

| | 2020 £ | 2019 £ |
|---|------------|------------|
| Amounts falling due within one year: | | |
| Amounts owed by group undertakings | 44,379,571 | 40,915,141 |

SAPLING MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

10 Debtors (Continued)

| | 2020 £ | 2019 £ |
|--|--------------------|-------------------|
| Amounts falling due after more than one year: | | |
| Amounts owed by group undertakings | 56,843,168 | 52,566,162 |
| Total debtors | 101,222,739 | 93,481,303 |

Amounts owed by group undertakings due after more than one year relate to loan notes which are held in Sapling Bidco Limited, a subsidiary of the company, and accrued interest on these loan notes.

11 Creditors: amounts falling due after more than one year

| | 2020 £ | 2019 £ |
|-----------------------------------|--------------------|-------------------|
| Debenture loans | 76,391,365 | 76,325,564 |
| Amounts due to group undertakings | 750,054 | 693,618 |
| Accruals and deferred income | 28,429,702 | 18,858,820 |
| | 105,571,121 | 95,878,002 |

Borrowings are denominated and repaid in pounds sterling, have contractual interest rates that are fixed rates that are not leveraged, and do not contain conditional returns or repayment provisions other than to protect the lender against credit deteriorations or changes in relevant legislation or taxation.

The 8,500,000 10% series A unsecured loan note of £8,500,000 is repayable on 16 December 2026.

The 25,345,325 10% series A1 unsecured loan note of £25,345,325 is repayable on 16 December 2026.

The 10,599,647 10% series B unsecured loan note of £10,599,647 is repayable on 16 December 2026.

The 31,606,058 10% series B1 unsecured loan note of £31,606,058 is repayable on 16 December 2026.

The 700,000 10% series F unsecured loan note of £700,000 is repayable on 16 December 2026.

The 98,970 10% unsecured loan note of £98,970 is repayable on 16 December 2026.

Interest of £28,429,702 (2019: £18,858,820) has been accrued in respect of loan notes.

Debenture loans are stated net of debt issue costs of £458,633 (2019: £524,435).

Included in amounts due to group undertakings are 10% unsecured loan notes of £564,357 which are repayable on 16 December 2026.

Interest of £185,697 (2019: £129,261) has been accrued in respect of amounts due to group undertakings.

SAPLING MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

12 Share capital

| | 2020 £ | 2019 £ |
|------------------------------------|-----------|-----------|
| Issued and fully paid | | |
| 359,613 Ordinary shares of £1 each | 359,613 | 359,613 |

The company has one class of ordinary shares which have full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

13 Reserves

Profit and loss reserves

Profit and loss reserves comprise of cumulative profit and loss net of distributions to owners.

14 Events after the reporting date

On 11 March 2020, shortly before the company's year end, the outbreak of the coronavirus, Covid-19, was declared by the World Health Organisation to be a pandemic. The directors response to the rapidly changing situation has continued to impact the company in the period after the reporting date.

The directors have considered the impact of Covid-19 on the ability of the company to continue in operational existence over a period of at least twelve months from the date of approval of these financial statements. From the start of the outbreak to today, management have approached the pandemic focused on the wellbeing of its staff, including doing all we can to provide a safe working environment to keep our team healthy and keeping the business strong and thus ensuring their role in it. We took decisions early and acted with speed due to the uncertainty at the time, which included the following actions:

- We moved our entire team to working from home, which we continue to do. Our infrastructure was in place and we were able to continue to offer support to all our customers remotely. While we have ensured our premises are Covid-19 friendly and ready to welcome the team back, we continue to work from home for as long as the government guidance recommends it.
- We took the difficult decision to Furlough a number of our team, with full appreciation of what this meant. We topped up the salaries of our impacted team members beyond what the government offering was. In addition, the Senior Management Team took a pay cut for a Quarter.
- We spent time reviewing our Go To Market strategy, with full knowledge that we were going to be entering a more competitive landscape when exiting the pandemic due to the number of capital project delays we had evidenced.
- We doubled our cash collection efforts, recognising that liquidity would be under pressure.

As we are now in our second national lockdown, we have been successful in our approach to date, and both our profitability and liquidity is strong as we approach the final quarter of our fiscal year. Our Go To Market review – and subsequent changes as a result – leave us confident that the business is in rude health for the year ahead.

On 1 April 2020 the technical covenant breach was resolved (see note 12).

15 Ultimate controlling party

The immediate and ultimate parent company is Sapling Topco Limited, a company incorporated in England and Wales, which is the largest and smallest group for which consolidated accounts including this company are prepared. Copies of the consolidated financial statements are publicly available from Companies House, Crown Way, Cardiff, CF14 3UZ.