

Kocho Midco Limited (formerly known as Challenger 5 Limited)

Registered number: 13169232

Directors' Report and unaudited financial statements

For the period ended 31 March 2022

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KOCHO MIDCO LIMITED (FORMERLY KNOWN AS CHALLENGER 5 LIMITED)

COMPANY INFORMATION

Directors	R Bradley G Georgiou M I Howling D J Lekerman M I Nunny
Registered number	13169232
Registered office	Waverley House 4th Floor 7-12 Noel Street London Westminster United Kingdom W1F 8GQ
Accountants	Mazars LLP Chartered Accountants 30 Old Bailey London EC4M 7AU

KOCHO MIDCO LIMITED (FORMERLY KNOWN AS CHALLENGER 5 LIMITED)

CONTENTS

	Page
Strategic Report	1 - 3
Directors' Report	4 - 5
Accountants' Report	6
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Notes to the Financial Statements	10 - 20

KOCHO MIDCO LIMITED (FORMERLY KNOWN AS CHALLENGER 5 LIMITED)

STRATEGIC REPORT FOR THE PERIOD ENDED 31 MARCH 2022

Introduction

The directors present their report and consolidated financial statements for Kocho Midco Ltd ("the Company") for the period ended 31 March 2022 ("FY22"). In preparing this Strategic Report, the directors have complied with s414C of the Companies Act 2006.

Kocho Midco Ltd is an intermediate holding company and a wholly owned subsidiary of Kocho Group Holdings Ltd, the ultimate parent undertaking of the Kocho group of companies and for which consolidated accounts have been prepared. The Strategic Report below is a consolidated report for Kocho Group Holdings Ltd ("the Group") and all its subsidiary undertakings (as listed in note 8), and all references to the Group below should be interpreted as references to the undertakings included in the consolidation.

Business review

The principal activity of the Group during the period was a provider of cloud transformation, cyber security, data analytics and managed services to midmarket Corporate and larger Enterprise clients.

These are the first financial statements prepared for the Company and Group following its incorporation and the results represent a 13 month accounting period. On 3 March 2021 Kocho Group Holdings Ltd received funding from the existing debt and equity providers of Kocho Holdings Ltd to acquire (via its wholly owned subsidiary, Kocho Midco Ltd) 100% of Kocho Holdings Ltd including all its subsidiaries. As part of this transaction, the Group acquired The Pryniantdau Ltd Group.

The trading entity of the Pryniantdau Ltd Group is ThirdSpace Ltd, a cyber security services provider to Enterprise clients, specialising in Identity Access Management, Customer Identity Access Management and Mobility and Security solutions. It provides a combination of bespoke solutions for clients as well as a fully managed service for clients' security operations.

The results of the Group for the period show revenue of £35.3m, gross profit of £13.3m, adjusted EBITDA (EBITDA adjusted for costs deemed to be nonrecurring by management) of £5.3m and a loss before taxation of £3.7m. The Group has net assets of £7m. The trading activities of the Group were previously consolidated under Kocho Holdings Ltd, which for the year ended 31 March 2021, reported revenue of £19.2m, gross profit of £6.3m and adjusted EBITDA of £2.8m.

The growth in revenue and adjusted EBITDA of 84% and 89% respectively was driven by strong organic growth coupled with the full year impact of the acquisition of Managing Maintenance Resources Holdings Limited in March 2020 and the additional contribution resulting from the Pryniantdau Ltd Group acquisition in March 2021.

In April 2022, the Group officially rebranded to become Kocho, being Japanese for butterfly and a symbol of transformation. This represents an exciting new stage in the Group's development, complementing the Group's cloud transformation and managed services experience, with deep technical expertise in identity management and cyber security. The change in name to Kocho marks the final stage of the integration of companies acquired by Kocho Holdings Ltd (previously named TIGL Holdings Ltd and trading as TiG Data Intelligence, netConsult and MMRIT).

KOCHO MIDCO LIMITED (FORMERLY KNOWN AS CHALLENGER 5 LIMITED)

STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2022

Business review (continued)

The Group remains focused on supplementing its organic growth with selective, complementary acquisitions. As further demonstration of this strategy, on 30 September 2022, the Group acquired Mobliti Holdings Ltd, a UK based managed services provider specialising in enterprise mobility, security and wireless connectivity solutions. This adds strategic mobile management and security capabilities to Kocho's growing service portfolio, allowing customers of both organisations to benefit from an end-to-end range of best-in-class services that will further accelerate their digital transformation programmes. With a strong specialism in the legal sector, Mobliti's mobile security expertise complements and enhances Kocho's existing services capabilities, which have been designed to enable mid-size and enterprise organisations to transform their business models through the adoption and round-the-clock management of cyber security, identity management and cloud-based services.

Following this key strategic acquisition, the Group now employs over 250 staff.

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to several risks. The process of risk acceptance and management is addressed through a framework of policies, procedures and internal control. Compliance with regulation, legal and ethical standards is a high priority of the Group's executive management team.

The key business risks and uncertainties affecting the Group are considered to relate to poor economic conditions, the associated risk of non payment by customers and the business' reliance on its valuable strategic partnership with Microsoft. These risks are partly mitigated inherently by the essential nature of the services provided by the Group and the stability provided by long term customer contracts. In addition, the risks are further managed by strong account management, a robust commercial approval process for new contracts and renewals of existing contracts, combined with strong credit control and vetting procedures.

Liquidity risk is managed by closely monitoring the cash flow generation of the Group and cash headroom, and this is monitored by the directors on a regular basis. Trade debtors are managed in respect of credit and there is a policy to minimise any risk by assessing new clients' credit risk and monitoring credit worthiness. At the balance sheet date, there was no significant considerations of credit risk. The Group's finance facilities are held in Sterling and the Group does not enter into any hedging arrangements.

Key performance indicators

The Group's main key performance indicator is earnings before interest, taxation, depreciation, amortisation, and other costs which management have deemed to be non-recurring (adjusted EBITDA). In the period ended 31 March 2022, the Group achieved adjusted EBITDA of £5.3m, representing growth of 89%. This has been calculated after adding back expenses that are in the opinion of the directors, either exceptional costs/income or expenses/income that do not relate to the trade of the Group's entities. These amounts are £1.0m in the period ended 31 March 2022.

KOCHO MIDCO LIMITED (FORMERLY KNOWN AS CHALLENGER 5 LIMITED)

STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2022

Future developments

The Group is experiencing high demand for its services and rapid growth through the acceleration of digital transformation and increased adoption of cloud related and cyber security services by its current and target clients. The directors expect this growth in demand to continue in the foreseeable future and therefore anticipate strong growth in future years.

To support this growth, the Group opened a new office in Cardiff in September 2022, and in October 2022 the Group established an office in Cape Town, South Africa, via a newly incorporated subsidiary, Kocho SA (Pty) Ltd. The South African office enables the Group to attract local talent and create new roles to support our DevOps and 24/7 client support.

Non-organic growth has also progressed following the end of the reporting period with the acquisition of Mobliciti Ltd on 30 September 2022 at which time the Group secured a Revolving Credit Facility from Santander to fund the ongoing working capital requirements of the enlarged group.

This report was approved by the board and signed on its behalf by:


D J Lekerman (Dec 22 2022 14:47 GMT)

D J Lekerman
Director

Date: 22/12/2022

KOCHO MIDCO LIMITED (FORMERLY KNOWN AS CHALLENGER 5 LIMITED)

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 2022

The directors present their report and the unaudited financial statements for the period ended 31 March 2022.

Principal activity

The principal activity of the Company is that of a holding company.

Results and dividends

The loss for the period, after taxation, amounted to £3,224,949.

The directors do not recommend the payment of a dividend for the period.

Directors

The directors who served during the period and to the date of this report were:

R Bradley (appointed 3 March 2021)
G Georgiou (appointed 23 February 2021)
M I Howling (appointed 3 March 2021)
D J Lekerman (appointed 1 February 2021)
M I Nunny (appointed 3 March 2021)
R W Smith (appointed 3 March 2021, resigned 8 March 2022)

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 for the Company's financial statements and then apply them consistently;
- 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 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 to 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.

KOCHO MIDCO LIMITED (FORMERLY KNOWN AS CHALLENGER 5 LIMITED)

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2022

Impact of Russian Forces entering Ukraine on the business

On 24 February 2022 Russian Forces entered Ukraine, resulting in Western Nation reactions including announcements of sanctions against Russia and Russian interests worldwide and an economic ripple effect on the global economy. The directors continue to monitor the potential impact of Russian Forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties. There is no current impact on the business, longer term impacts are uncertain.

Economic impact of the COVID-19 pandemic

The COVID-19 pandemic continues to affect the UK and global economies however the lifting of social restrictions by the government means the directors anticipate the UK and global economies to return to growth in due course. It is not possible to predict how quickly and to what degree this may happen. The priorities of the directors remain to comply with any remaining regulatory requirements to the fullest extent possible, and to maintain the safety and well-being of the Company's personnel.

Going concern

The directors have considered the Company's ability to meet its liabilities as they fall due for the foreseeable future, in conjunction with the shareholder loan and other facilities available.

The Company has net liabilities that is primarily the result of the Company's funding structure and is cash generative on an operating basis and the detailed forecasts prepared by the directors confirm that it is expected to remain so over the forthcoming years.

Following the fundraising on 3 March 2021 and the subsequent fundraising on 30 September 2022, as referenced in the Strategic Report, the group has sufficient cash headroom to support its projected growth and, together with ongoing discussions with the group's external backers to fund future acquisitions, the directors are confident that obligations can be met as they fall due. Therefore, the financial statements have been prepared on a going concern basis.

Matters covered in the Strategic Report

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report on page 1. These matters relate to business review and principal risks and uncertainties.

Post balance sheet events

Kocho SA (Pty) Ltd, a 100% subsidiary of Kocho Group Holdings Limited, was incorporated in South Africa on 17 October 2022.

This report was approved by the board and signed on its behalf by:


D J Lekerman

Director

Date: 22/12/2022

KOCHO MIDCO LIMITED (FORMERLY KNOWN AS CHALLENGER 5 LIMITED)

**CHARTERED ACCOUNTANTS' REPORT TO THE BOARD OF DIRECTORS ON THE PREPARATION OF
THE UNAUDITED STATUTORY FINANCIAL STATEMENTS OF KOCHO MIDCO LIMITED
FOR THE PERIOD ENDED 31 MARCH 2022**

In accordance with our engagement letter and in order to assist you to fulfil your duties under the Companies Act 2006, we have prepared for your approval the financial statements of the Company for the period ended 31 March 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes from the Company's accounting records and from information and explanations you have given to us.

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at www.icaew.com/en/members/regulations-standards-and-guidance/.

Respective responsibilities of directors and accountants

You have acknowledged on the balance sheet for the period ended 31 March 2022 your duty to ensure that the Company has kept adequate accounting records and to prepare statutory financial statements that give a true and fair view of the Company's assets, liabilities, financial position and loss. You consider that the Company is exempt from the statutory requirement for an audit for the period.

This report is made solely to the Board of Directors of Kocho Midco Limited (formerly known as Challenger 5 Limited), as a body, in accordance with the terms of our engagement letter. Our work has been undertaken solely to prepare for your approval the financial statements of the Company and state those matters that we have agreed to state to the Board of Directors, as a body, in this report in accordance with ICAEW Technical Release 07/16 AAF. To the fullest extent permitted by law, we do not accept nor assume responsibility to anyone other than the Company and its Board of Directors, as a body, for our work or for this report.

We have not been instructed to carry out an audit or review of the financial statements of Kocho Midco Limited (formerly known as Challenger 5 Limited). For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the financial statements.



Mazars LLP

Chartered Accountants

30 Old Bailey
London
EC4M 7AU

Date: 22/12/22

KOCHO MIDCO LIMITED (FORMERLY KNOWN AS CHALLENGER 5 LIMITED)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2022**

		Period ended 31 March 2022 £
Administrative expenses		(60,828)
Operating loss	4	(60,828)
Interest receivable and similar income		842,852
Interest payable and similar expenses	6	(4,006,973)
Loss before tax		(3,224,949)
Tax on loss	7	-
Loss for the financial period		(3,224,949)
Other comprehensive income		-
Total comprehensive expense for the period		(3,224,949)

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

The notes on pages 10 to 20 form part of these financial statements.

KOCHO MIDCO LIMITED (FORMERLY KNOWN AS CHALLENGER 5 LIMITED)
REGISTERED NUMBER: 13169232

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Note	2022 £
Fixed assets		
Investments	8	33,205,446
		<u>33,205,446</u>
Current assets		
Debtors: amounts falling due within one year	9	11,092,042
		<u>11,092,042</u>
Creditors: amounts falling due within one year	10	(24,972,381)
		<u>(13,880,339)</u>
Net current liabilities		<u>(13,880,339)</u>
Total assets less current liabilities		<u>19,325,107</u>
Creditors: amounts falling due after more than one year		(22,550,055)
		<u>(3,224,948)</u>
Net liabilities		<u>(3,224,948)</u>
Capital and reserves		
Called up share capital	13	1
Profit and loss account		(3,224,949)
		<u>(3,224,948)</u>
Total equity		<u>(3,224,948)</u>

The directors consider that the company is entitled to exemption from audit under section 479A of the Companies Act 2006 and members have not required the company to obtain an audit for the year in question in accordance with section 476 of the Companies Act 2006.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

D J Lekerman
D J Lekerman (Dec 22, 2022 14:47 GMT)

D J Lekerman
Director

Date: 22/12/2022

The notes on pages 10 to 20 form part of these financial statements.

KOCHO MIDCO LIMITED (FORMERLY KNOWN AS CHALLENGER 5 LIMITED)

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2022**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At date of incorporation on 1 February 2021	1	-	1
Comprehensive expense for the period			
Loss for the period	-	(3,224,949)	(3,224,949)
Other comprehensive income for the period	-	-	-
Total transactions with owners	-	-	-
At 31 March 2022	1	(3,224,949)	(3,224,948)

The notes on pages 10 to 20 form part of these financial statements.

KOCHO MIDCO LIMITED (FORMERLY KNOWN AS CHALLENGER 5 LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

1. General information

Kocho Midco Limited is a private company limited by shares, incorporated and registered in England and Wales. The address of the registered office of the Company is Waverley House 4th Floor, 7-12 Noel Street, London, Westminster, United Kingdom, W1F 8GQ.

The principal activity of the Company is that of a holding company.

The Company was incorporated on 1 February 2021. The financial statements are for the first financial period ended 31 March 2022.

On 23 February 2021 the Company extended its accounting reference date from 28 February 2022 to 31 March 2022 to bring in line with fellow group companies.

On 21 March 2022, the Company changed their name from Challenger 5 Limited to Kocho Midco Limited.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The financial statements have been presented in Pound Sterling as this is the currency of the primary economic environment in which the Company operates and is rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Kocho Group Holdings Limited (formerly known as Challenger 55 Limited) as at 31 March 2022 and these financial statements may be obtained from Companies House.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2022**

2. Accounting policies (continued)

2.3 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of a larger group by a parent undertaking established under the law of any part of the United Kingdom and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

2.4 Going concern

The directors have considered the Company's ability to meet its liabilities as they fall due for the foreseeable future, in conjunction with the shareholder loan and other facilities available.

The Company has net liabilities that is primarily the result of the Company's funding structure and is cash generative on an operating basis and the detailed forecasts prepared by the directors confirm that it is expected to remain so over the forthcoming years.

Following the fundraising on 3 March 2021 and the subsequent fundraising on 30 September 2022, as referenced in the Strategic Report, the group has sufficient cash headroom to support its projected growth and, together with ongoing discussions with the group's external backers to fund future acquisitions, the directors are confident that obligations can be met as they fall due. Therefore, the financial statements have been prepared on a going concern basis.

2.5 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.6 Interest payable and similar expenses

Interest payable and similar expenses are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2022**

2. Accounting policies (continued)

2.10 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

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 debtors and creditors, 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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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 as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's 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.

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 of the recoverable amount, which is an approximation of the amount that the Company 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.

KOCHO MIDCO LIMITED (FORMERLY KNOWN AS CHALLENGER 5 LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2022**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In applying the Company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

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, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

3.1 Critical judgements in applying the Company's accounting policies

The critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

(i) Assessing indicators of impairment of investments and goodwill

In assessing whether there have been any indicators of impairment of investments and goodwill, the directors have considered both external and internal sources of information such as market conditions and future performance. There have been no indicators of impairments identified during the current financial year.

4. Operating loss

The operating loss is stated after charging:

	Period ended 31 March 2022 £
Management charges	44,981

5. Employees

The Company has no employees other than the directors, who did not receive any remuneration.

KOCHO MIDCO LIMITED (FORMERLY KNOWN AS CHALLENGER 5 LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2022**

6. Interest payable and similar expenses

	Period ended 31 March 2022 £
Loan notes interest payable	1,881,424
Loans from group undertakings	2,050,206
Finance charges	69,557
Other interest payable	5,786
	<hr/>
	4,006,973
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7. Taxation

	Period ended 31 March 2022 £
Total current tax	<hr/>
	-
	<hr/>
Deferred tax	
	<hr/>
Total deferred tax	-
	<hr/>
	<hr/>
Taxation on loss	-
	<hr/>

KOCHO MIDCO LIMITED (FORMERLY KNOWN AS CHALLENGER 5 LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2022**

7. Taxation (continued)**Factors affecting tax charge for the period**

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

	Period ended 31 March 2022 £
Loss before tax	(3,224,949)
Loss before tax multiplied by standard rate of corporation tax in the UK of 19%	(612,740)
Effects of:	
Group relief for nil consideration	604,866
Deferred tax assets not recognised	7,874
Total tax charge for the period	-

Factors that may affect future tax charges

The UK Government announced in the 2021 budget that from 1 April 2023, the rate of corporation tax in the United Kingdom will increase from 19% to 25%. Companies with profits of £50,000 or less will continue to be taxed at 19%, which is a new small profits rate. Where taxable profits are between £50,000 and £250,000, the higher 25% rate will apply but with a marginal relief applying as profits increase.

KOCHO MIDCO LIMITED (FORMERLY KNOWN AS CHALLENGER 5 LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2022**

8. Investments

	Investments in subsidiary companies £
Cost	
At 1 February 2021	-
Additions	33,205,446
At 31 March 2022	<u>33,205,446</u>
 Net book value	
At 31 March 2022	<u><u>33,205,446</u></u>

The additions during the period relate to the Company acquiring Kocho Holdings Limited (formerly known as TIGL Holdings Limited) on 3 March 2021.

KOCHO MIDCO LIMITED (FORMERLY KNOWN AS CHALLENGER 5 LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2022**

8. Investments (continued)**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Kocho Holdings Limited (formerly known as TIGL Holdings Limited)	Waverley House 4th Floor, 7-12 Noel Street, London, Westminster, England, W1F 8GQ	Holding company	Ordinary	100%
*Managing Maintenance Resources Holdings Limited	4th Floor Waverley House, 7 - 12 Noel Street, London, Westminster, England, W1F 8GQ	Holding company	Ordinary	100%
*Netconsult Group Ltd	Waverley House 4th Floor, 7-12 Noel Street, London, Westminster, England, W1F 8GQ	Holding company	Ordinary	100%
*Pryniantdau Limited	Waverley House 4th Floor, 7-12 Noel Street, London, Westminster, England, W1F 8GQ	Holding company	Ordinary	100%
*Kocho Group Limited (formerly known as TIG Limited)	Waverley House 4th Floor, 7-12 Noel Street, London, Westminster, England, W1F 8GQ	IT consultancy services	Ordinary	100%
The Internet Group Limited	Waverley House 4th Floor, 7-12 Noel Street, London, England, W1F 8GQ	Dormant	Ordinary	100%
*Internet Adventure Limited	4th Floor Waverley House 7 - 12 Noel Street, Westminster, London, England, W1F 8GQ	Dormant	Ordinary	100%
*Pryniant Limited	Waverley House 4th Floor, 7-12 Noel Street, London, Westminster, England, W1F 8GQ	Holding company	Ordinary	100%
*Hedges 1 Limited	Waverley House 4th Floor, 7-12 Noel Street, London, England, W1F 8GQ	Holding company	Ordinary	100%
*ThirdSpace Ltd	Waverley House 4th Floor, 7-12 Noel Street, London, Westminster, England, W1F 8GQ	IT Services	Ordinary	100%
*NetConsult Ltd	Waverley House 4th Floor, 7-12 Noel Street, London, Westminster, England, W1F 8GQ	IT Services	Ordinary	100%

KOCHO MIDCO LIMITED (FORMERLY KNOWN AS CHALLENGER 5 LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2022**

8. Investments (continued)**Subsidiary undertakings (continued)**

Name	Registered office	Principal activity	Class of shares	Holding
*MMRIT Limited	4th Floor Waverley House, 7 - 12 Noel Street, London, Westminster, England, W1F 8GQ	Information Technology managers	Ordinary	100%

* These entities are indirectly held by the Company.

9. Debtors: amounts falling due within one year

	2022 £
Amounts owed by group undertakings	11,067,642
VAT recoverable	24,400
	<u>11,092,042</u>

Amounts owed by group undertakings includes loans which are unsecured, interest-free and have no fixed repayment date.

10. Creditors: amounts falling due within one year

	2022 £
Amounts owed to group undertakings	24,948,983
Other creditors	16,391
Accruals and deferred income	7,007
	<u>24,972,381</u>

Amounts owed to group undertakings includes loans which are unsecured, bear interest at a rate of 2% compounded quarterly and have no fixed repayment date.

KOCHO MIDCO LIMITED (FORMERLY KNOWN AS CHALLENGER 5 LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2022**

11. Creditors: Amounts falling due after more than one year

	2022
	£
Loan notes (note 12)	22,550,055
	<u>22,550,055</u>

The loan notes represent amounts due under the terms of the loan note agreements. The loan notes are unsecured, bear interest at the rate of 2% per quarter and will compound on each interest payment date. The repayments are due in four equal instalments on 30 June 2027, 31 December 2027, 30 June 2028 and 31 December 2028. Included within the loan notes at period end is £285,520 that relates to prepayment of deal fees and includes accrued interest of £1,881,424. During the period, the Company accrued interest of £1,881,424.

12. Loans

Analysis of the maturity of loans is given below:

	2022
	£
More than 5 years	
Loan notes	22,550,055
	<u>22,550,055</u>

13. Called up share capital

	2022
	£
Allotted, called up and fully paid	
1 Ordinary share of £1	<u>1</u>

The ordinary shares entitle each holder to one voting right and no right to fixed income.

At incorporation on 1 February 2021 the Company issued 1 ordinary share with a nominal value of £1 at par value.

14. Related party transactions

The Company is a wholly owned member of Kocho Group Holdings Limited (formerly known as Challenger 55 Limited) and as such has taken advantage of the exemption permitted by section 33 Related party disclosure, not to provide disclosures of transactions entered into with other wholly owned members of the group.

KOCHO MIDCO LIMITED (FORMERLY KNOWN AS CHALLENGER 5 LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2022**

15. Post balance sheet events

Kocho SA (Pty) Ltd, a 100% subsidiary of Kocho Group Holdings Limited, was incorporated in South Africa on 17 October 2022.

16. Controlling party

The immediate and ultimate parent company is Kocho Group Holdings Limited (formerly known as Challenger 55 Limited), a company incorporated and registered in England and Wales.

The Kocho Group Holdings Limited (formerly known as Challenger 55 Limited) group is both the smallest and the largest group into which the Company's financial statements are consolidated. Copies of the group financial statements for the ultimate parent undertaking may be obtained from Companies House.