

Chiron Midco Limited

Annual report and financial statements
for the year to 31 March 2021

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Chiron Midco Limited

Annual report and financial statements for the year to 31 March 2021

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Officers and professional advisors

Directors

Mr A Gilbert
Mr P Bryce
Mr L Keller

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Bankers

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Solicitors

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B46BH

Independent auditors

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Strategic report for the year to 31 March 2021

The directors present their strategic report for the year to 31 March 2021.

Principal activities

The principal activity of the group is the provision of IT services. The principal activity of the company is that of an investment holding company.

Results and financial position

The group generated earnings before non-recurring costs, interest, taxation, depreciation and amortisation (adjusted EBITDA) of £18,584,000 for the year to 31 March 2021 (2020: £16,736,000) and an operating loss of £3,929,000 (2020: £5,707,000) after amortisation of goodwill and customer intangible assets. The group's loss before taxation for the year was £18,001,000 (2020: £17,547,000) resulting in the financial position at 31 March 2021 as set out on page 14. Non-recurring costs of £316,000 (2020: £918,000) have arisen primarily in respect of acquisition related costs and restructuring of the businesses (2020: the conclusion of a historic commercial settlement, investment costs for regional market expansion, acquisition related costs, and strategic review and structuring with appropriate senior staffing).

Business review

The business of the group is focused on the provision of digital transformation and managed IT services primarily to the UK Mid-Market and Channel clients. The portfolio of services has been expanded extensively over the years and now includes cloud, colocation, connectivity, collaboration, and continuity. Node4 differentiates itself through being able to provide a complete end-to-end service starting with the initial consulting and design piece all the way through to the implementation and management of a full range of hybrid cloud enabled IT services which underpin our clients critical business processes.

We still believe that ownership of our infrastructure combined with the breadth of our end-to-end offering are key differentiators critical to our current and future growth. In addition to offices in the East Midlands (Derby and Nottingham) North West (Manchester and Wigan), South East (Reading and Welwyn) and Edinburgh (following the acquisition of Starcom Technologies Limited) we own and manage high quality data centres located in Derby where our head office is located, Leeds and Northampton. In addition, we also have a presence in strategically located 3rd party data centres which further enhance our national presence. Having completed expansion projects at two sites in recent years - we now have a total colocation and cloud capacity of c1,500 racks across our own sites offering high levels of security and redundancy. Our facilities are ISO27001 accredited, they satisfy the security requirements for PCI compliance and the UK government Official requirement, they range up to Tier3+ standard and deliver an efficiency rating of PUE 1.2.

Our data centres are also home to our cloud infrastructure which underpins many of our managed services. Working with leading vendors Cisco, NetApp and VMware we have built a CMSP accredited enterprise-grade cloud infrastructure that offers scalable and resilient resources. We also deliver private cloud solutions with dedicated infrastructure, we bring together both elements in hybrid cloud solutions and can also offer hyperscaler environments, all with the aim of ensuring customers can deploy the right workload into the right environment.

Critical to being able to access this infrastructure is connectivity. The data centres are connected using our national Dense Wavelength Division Multiplexing (DWDM) network which includes points of presence in Manchester and London, as well as interconnects to major UK carriers and public cloud environments. This means we can provide the best options in terms of price and capacity, wherever a customer is located. We are an internet service provider and use access methods including ethernet, broadband and M2M (which uses the mobile 4G network) to provide access into our national network. Our network seamlessly connects clients to SIP, voice, cloud and data centre solutions. We were also one of the first providers to implement a Software Defined Network (SDN) for our customers.

The collaboration part of the portfolio gives access to resilient cloud based tools that allow customers to stay securely connected and mobile in the fast paced environment of today.

Our continuity services comprise a full suite of end-to-end products to mitigate continuity and cyber security risks. Cyber Security in particular is seeing rapidly increasing awareness and demand from our customers therefore to accelerate our growth plans for this key area we recruited a new highly experienced Head of Security in FY21.

Around all these services we provide a complete managed service wrap for business critical systems including operating systems (Linux and Microsoft), software application stacks such as web and database services and dev-ops for application orchestration.

Strategic report for the year to 31 March 2021 (continued)

Business review (continued)

To meet increased demand for managed services the group has made significant investments in recent years in market leading management and monitoring platforms Service Now and Science Logic, combined with additional staff recruitment and training. The roll-out of an end-to-end SAP platform in FY21 further enhanced our core platforms and will help drive further efficiencies going forward in our operations.

Our N4Stack brand launched in FY19, which incorporated the database management activities of the Onomi business acquired in May 2017 along with other public cloud focused offerings within the company, has continued to see exceptional growth in FY21 with sales of the business unit growing over 100% year on year (following 90% year on year growth) driven by continued momentum with its successful Microsoft Azure managed services and Dev-Ops offerings and successful cross-sell of the core database services into the broader Node4 client base.

We have a strong business culture that is built around working with our customers and becoming their trusted IT services provider. We believe in flexibility and view our customers as partners, aiming to provide the best customer experience. We pride ourselves on the satisfaction that our customers achieve whilst working with us.

The success of our business model is demonstrated by continued growth from existing clients and also the acquisition of new clients in FY21 which saw close to £9.2m (2020: £10m) of new annual recurring revenue secured ("ARR") despite the impact of COVID-19 in H1 which slowed new order intake.

In addition we achieved strong success in new growth product areas such as Software Defined Wide Area Networking ("SD-WAN") where we have continued to win a number of notable new clients including East Midlands Railways.

The business has steadily grown customer sales across the whole service portfolio, both organically and through acquisition. From 2013 (following the first round of private equity led investment) to 2020 we have acquired 5 businesses, most recently Secura Hosting in May 2019 which further expanded the breadth and depth of Cloud hosting services offered by the group adding a market leading Virtual Private Cloud ("VPC") platform for the Software as a Service ("SaaS") vertical and growing managed Azure capability, whilst also further enhancing our operational presence in the South East with the addition of 35 staff.

In FY21 we continued our successful acquisition strategy with the acquisition at the end of February 2021 of Starcom Technologies Limited from K3 Group Plc. This acquisition significantly expanded our geographic coverage through Starcom's operations, in the North West, Scotland and Hampshire, whilst adding over 80 highly skilled employees and extending the range of both on-premise and cloud managed services Node4 can offer. Starcom also has a complementary mid-market client focus to that of Node4 providing attractive opportunities to cross sell the combined group's broader range of services.

Node4 has been able to weather the COVID-19 impacts in FY21 well and grow EBITDA by close to 11% due to its robust business model which provides high levels of contracted recurring revenue through the provision of business critical IT services to a diverse range of mid-market clients. In addition, whilst COVID-19 has created some pressures on private sector clients in the year, it has also created additional demand for services across cloud, connectivity and collaboration in areas such as remote working.

The success and resilience of the Node4 business was recognised at the end of the financial year when on 2 March 2021 Providence Equity Partners, a leading global private equity house with c.\$45bn of funds under management, signed an unconditional agreement (followed by completion on 19 March 2021) to acquire a majority stake in the Node4 Group to back management's organic and inorganic strategy for the next phase of growth. This transaction saw the successful exit of Bowmark Capital and Lloyds Development Capital ("LDC").

Future developments

The group is focusing on maintaining its long-standing track record of year on year organic growth, leveraging the capacity available across its well invested data centres, network and cloud infrastructure, complemented by a comprehensive service portfolio to capitalise on the growing demand for outsourced IT infrastructure and associated managed services.

The group continues to look to increase its national presence and will continue to look for opportunities to further expand our geographic reach as seen through the recent Starcom acquisition which expanded our presence into Scotland and significantly enhanced our presence in the North West. In addition, we also continue to look for opportunities that further expand the range of value add services we can offer to our clients across the regions we operate in.

Strategic report for the year to 31 March 2021 (continued)

Future developments (continued)

Despite the onset of COVID-19 the group is well placed entering the new financial year (FY22) following the strategic bolt-on acquisition of Starcom and having exited FY21 with a strong run-rate of revenues and order book. The nature of the business has allowed a high degree of home or distanced working to occur in order to protect staff during the pandemic whilst maintaining operations and we expect a significant degree of hybrid working to be maintained both by Node4 and our clients. The group will be looking to further leverage the significant investment made in recent years in its core operating platforms to meet the increasing demand it is seeing for managed services from new and existing clients.

Acquisitions continue to form a key part of our growth strategy and we continue to review opportunities which would enable us to further enhance our services offerings and add scale to our existing operations. As part of this strategy, on 2 August 2021, the Providence backed Node4 group acquired 'The NAV People' business which will significantly enhance Node4's ability to deliver Microsoft-based business applications services, while benefiting from access to Node4's wider portfolio of cloud-based infrastructure services and industry-leading support.

Key performance indicators (KPIs)

The group relies on various KPIs, which are regularly reviewed by the management team and board. The KPIs include:

- Sales activity, particularly in relation to growth in the key service areas. KPIs monitored are:
 - New business wins won;
 - New monthly recurring revenue (MRR) won; and
 - New business put-live.All were strong in the year, providing the platform for the reported sales growth.
- Cloud platform and data centre utilisation monitoring, which provides the trigger for further infrastructure investment.
- Gross margin by product category. Gross margin trends are monitored closely to confirm revenue and cost behaviour and develop action plans where necessary.
- Earnings before non-recurring costs, interest, taxation, depreciation and amortisation (adjusted EBITDA). This is the main financial performance measure for the group and is covered above.

Principal risks and uncertainties

The directors consider the biggest risks to stem from the management of the growth of the business including integration of acquired businesses together with the continued impact from COVID-19 on the wider economic environment. In operational terms the integration risk manifests in areas such as customer and employee retention although the group strives to foster a culture and customer service ethos to mitigate this. Whilst not KPIs as such, the reasons for employee departures and customer terminations are collated and reviewed by management and the board. In relation to COVID-19 the principal operational risks relate to the impact on the financial health of the customer base although the group has a diverse range of clients in resilient sectors such as IT and Software Services, Financial Services and Healthcare which helps mitigate the impact from COVID-19 and continues to provide opportunities for growth. Whilst new business wins and orderbook conversion were impacted in the first half of FY21 due to the initial COVID-19 lockdowns we saw a very strong recovery in the second half despite further lockdowns indicating the resilience of the sectors we serve and also end customers adapting to working in the COVID-19 environment. With consumer and business confidence increasing and the vaccine roll-out proceeding well in the UK (our core geographic market) we feel confident that the improvement in trading conditions seen in the second half of FY21 will continue into FY22.

Financial risk management

In financial terms, the directors consider and manage the risks in the following ways:

Credit risk: The group policy in respect of credit risk is to require appropriate credits checks on all potential customers prior to sales being made. In addition, direct debit is stipulated as a preferred method for customer payment and a rigorous credit control policy is followed.

Liquidity and cash flow risk: The board regularly reviews the cash position and cash flow forecasts for the group. The group has a free cash balance and has committed bank facilities available to finance capital expenditure and working capital in pursuit of growth.

Interest rate risk: The group has an existing interest rate cap for up to £75m currently in place to help mitigate the risk of increases in interest rates, and is evaluating whether to extend and increase this cap following the investment by Providence Equity Partners and the installation of a new Senior Debt package.

Strategic report for the year to 31 March 2021 (continued)

The Directors' duties

The directors of the company, as for all UK companies, must act in accordance with the general duties set out in section 172 of the Companies Act 2006. This is summarised as follows:

A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term,
- the interests of the company's employees,
- the need to foster the company's business relationships with suppliers, customers and others,
- the impact of the company's operations on the community and the environment,
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the company.

Strategic decisions

The group operates in a growing market with a strong organic and acquisition growth strategy. This has required continued investment in acquired businesses, our service offerings, systems and processes, data centres and employees to grow revenue and profitability whilst engaging and communicating effectively with all stakeholders including suppliers, customers and employees.

Our employees

Employees are essential to the group's interaction with other stakeholders and their individual commitment ensures successful trading and development of the business. We pride ourselves on being a friendly and supportive workplace underpinned by our Exceptional Service as a Standard ("ESaaS") culture. We invest in employees through both technical and non-technical training, the high class work environment provided, competitive remuneration and wellbeing initiatives. We have a strong employee value proposition with a range of benefits and best working practices. Regular companywide communication, divisional monthly and weekly meetings and updates both formally through quarterly updates and informally through communication applications ensure that staff are up-to-date with developments and engaged change. In April 2021 we were recognised as one of the UK's top 100 Great Places to Work® for the second year running – an accolade based entirely on employee feedback.

Assessing health and safety for employees has been paramount in the COVID-19 outbreak as well as those who employees come into contact with and has guided the actions taken such as significant home working and related office restrictions.

Employees are informed of the performance and prospects of the company and group and encouraged to become aware of the financial and economic factors which affect the group and its ability to compete in the marketplace.

Disabled applicants and existing disabled employees of the group are treated fairly and on terms comparable with those of other employees. Equally, employees who become disabled during their employment receive training, where necessary, in order to promote their ongoing career development.

Business relationships

Customer relationships and high standards of service are key to maintaining and growing the group's business. The group has a diverse and important customer base and seeks to provide the right range of products and services to aid customer efficiencies and IT management and as a result benefit the group from growing sales. Ongoing communication occurs through the sales and operational teams, and through the group website and email communication. The business constantly monitors customer satisfaction scores to help it improve its services and identifying new products and services needed by clients.

Suppliers are key to the business in respect of supporting operations, ensuring business continuity and that the quality of products and services is maintained. There is regular communication with major suppliers and agreements are in place to incentivise efficiencies for suppliers and the group and the group policy is to consistently meet payment terms. The group is constantly monitoring its supplier base in order to maintain optimal continuity and mitigate any potential supply risks which could be presented due to COVID-19 and the UK's departure from the EU.

Strategic report for the year to 31 March 2021 (continued)

Shareholders

The group is owned by Private Equity and its Management, with the investment from Private Equity playing a key part in the business' growth. The directors regularly report to the shareholders who also monitor and have oversight of the annual plans, initiatives and longer term plans as well as being party to an investor agreement with the group.

Community and environment

The group both promotes and encourages engagement with and employee involvement in community and charitable projects including ongoing support for the Trussell Trust, who operate foodbanks, through various donations and fund raising initiatives. We have made donations to a number of other charities over the year including Oasis Childcare, Safe Families and Little Johns House. We also have an ongoing relationship with the local Derby College where we have provided support to their students by holding mock job interviews to prepare students for their first work interviews. Over the last year we have also making made regular donations to the NHS Trusts nearest to our regional offices and have also sent tea and coffee treats to the local community nurses in Nottingham.

The group is committed to sustainable use of resources and has continued to increase both the use of recyclable materials and recycling of office waste. Node4 has achieved and maintains ISO50001, the International Energy Management Standard, and are as such fully committed to reducing waste of all kinds, including electricity and fuel.

Approved by the board of directors and signed on behalf of the board on 3 September 2021.



L Keller
Director

Directors' report for the year to 31 March 2021

The directors present their annual report and the audited financial statements of the group and the company for the year to 31 March 2021.

Directors

The directors who served in the year, and subsequently, are as follows:

Mr A Gilbert
Mr P Bryce
Mr L Keller
Mr S Delaney (resigned 19 March 2021)

Dividends

The directors do not recommend the payment of a dividend (2020: *Nil*).

Going concern

The directors have considered the trading performance of the company and group, together with the factors likely to affect its future development as well as its current liquidity position. The directors have reviewed the group's forecasts and likely future cash flows, taking into account in particular the continued potential impact of COVID-19 on trading, the group's current net borrowings and uncommitted cash deposits. Following the investment by Providence Equity Partners in March-21 a new Senior Debt Facility, totalling £270m with repayment terms of between six and seven years across the committed facilities, was put in place with a leverage ratio covenant which will be measured from 31 March 2022. The group facilities are subject to this covenant test and the directors have run several downside scenarios, including those considered severe but plausible and factoring in reasonable mitigating factors, to demonstrate that no covenant breaches are considered likely. Post year end, the revolving credit facility element of the new facilities was initially increased from £15m to £18m and post the acquisition of TNP Topco Limited group of companies to £30m.

Based on the available information including resilient trading through the lock down periods in the economy, the directors consider that the company and group have the plans and resources needed to manage its business risks successfully and remain financially robust. Whilst COVID-19 continues to have some impact on certain customers Node4 benefits from operating with a diverse range of clients across resilient sectors such as Healthcare, Financial Services and IT and Software Services which are continuing to see growth and therefore provide the group with opportunities to grow. In addition, we saw a material improvement in trading conditions in the second half of FY21 despite further COVID lockdowns demonstrating how businesses have adapted to the current environment and we expect to continue to see this in FY22 as the successful vaccine roll-out continues. The group also benefits from offering critical IT infrastructure services and considers that the breadth of value-added services it can offer will remain attractive to a range of new clients in the current environment. However, management remains very focused on cash management to ensure that the business has sufficient headroom to manage the risk that are inherent in the current economic environment which continues to be impacted by COVID-19.

After making enquiries, the directors have a reasonable expectation that the company and group have adequate resources to continue operations for the foreseeable future. Accordingly, the going concern basis of preparation continues to be adopted in the financial statements.

Strategic report

The following items have been included within the strategic report on pages 2 to 6:

- Principal activities
- Results
- Business review
- Future developments
- Key performance indicators
- Principal risks and uncertainties
- Financial risk management
- The directors' duties under s172 of the Companies Act including those relating to employees and other group stakeholders

Directors' report for the year to 31 March 2021 (continued)

Streamlined energy and carbon reporting ('SECR')

Energy efficiency and environmental sustainability are a part of everything we do, whether we're building new data centres or upgrading existing facilities. We have committed to design, build and operate our data centres with high energy efficiency standards, and we have a long-term goal to use 100% clean and renewable energy across our global platform.

We have calculated and reported our emissions in line with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting. The boundaries of the GHG inventory are defined using the operational control approach. In general, the emissions reported are the same as those which would be reported based on a financial control boundary.

SECR	Year to 31 March 2021	Year to 31 March 2020
Emissions from activities for which the company is responsible including combustion of fuel and operation of facilities (Scope 1)/ tCO ₂ e	Data centres and attached offices = 23,616 kWh (Generator Gas Oil Fuel) = 6.4 tonnes CO ₂ e	Data centres and attached offices = 34,327 kWh (Generator Gas Oil Fuel) = 8.8 tonnes CO ₂ e
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2)/ tCO ₂ e	Data centres and attached offices: 26,429,171 kWh (Mains) = 6,106 tonnes CO ₂ e	Data centres and attached offices: 26,323,545 kWh (Mains) = 6,728 tonnes CO ₂ e
Total gross emissions (Scope 1 and 2)/ tCO ₂ e	6,113 tonnes CO ₂ e	6,737 tonnes CO ₂ e
Intensity ratio: tCO ₂ e based on £'000 of gross revenue	0.097 tonnes per £1,000 of revenue	0.117 tonnes per £1,000 of revenue
Methodology	Data taken from energy supplier billing information	Data taken from energy supplier billing information
Third Party verification	SECR methodology and the CO ₂ calculation has been verified by ISO 50001 UKAS accredited auditor.	SECR methodology and the CO ₂ calculation has been verified by ISO 50001 UKAS accredited auditor.

We have used the company's annual gross revenue to calculate the intensity ratio. As a result of our on-going investment we have already made energy efficiencies reflected in a reduced ratio through LED lighting, HVAC Aircon, through continued maintenance testing and the purchase of more efficient equipment. In addition, the replacement of company fleet vehicles also includes electric and hybrid models.

Node4 are committed to developing policies and initiatives to support the Governments goal to reduce greenhouse gas emissions. This carbon reduction commitment is supported by the internal Energy Management Team reporting directly to the Chief Operations Officer and the Board.

Directors' report for the year to 31 March 2021 (continued)

Directors' indemnities

The group maintained liability insurance for its directors and officers. This is a qualifying third party indemnity provision for the purposes of the Companies Act 2006, and was in place during the financial year up to the date of signing these financial statements.

Statement of directors' responsibilities

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

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

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

The directors are responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of information to auditors

In accordance with section 418 of the Companies Act 2006, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

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

Approved by the board of directors and signed on behalf of the board on 3 September 2021.



**L Keller
Director**

Independent auditors' report to the members of Chiron Midco Limited

Report on the audit of the financial statements

Opinion

In our opinion, Chiron Midco Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2021 and of the group's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the consolidated and company balance sheet as at 31 March 2021; the consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, The Companies Act 2006 requires us to also to report certain opinions and matters as described below.

Independent auditors' report to the members of Chiron Midco Limited (continued)

Report on the audit of the financial statements (continued)

Reporting on other information (continued)

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with law and regulations related to health and safety legislation, company law, employment legislation and taxation legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to the posting of unusual journals to revenue and cash and the manipulation of significant accounting estimates. Audit procedures performed by the engagement team included:

- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations
- Reading the minutes of the Board meetings to identify any inconsistencies with other information provided by management
- Testing of journals posted to revenue and cash that have unusual account combinations
- Challenging management on the supporting evidence and rationale provided for significant accounting estimates
- Incorporating elements of unpredictability

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Independent auditors' report to the members of Chiron Midco Limited (continued)

Report on the audit of the financial statements (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.


Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



David Teager (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands, 3 September 2021

Chiron Midco Limited

Consolidated statement of comprehensive income for the year to 31 March 2021

	Note	Year to 31 March 2021 £'000	Year to 31 March 2020 £'000
Turnover	5	63,136	57,711
Cost of sales		(23,931)	(21,441)
Gross profit		39,205	36,270
Goodwill and customer intangible asset amortisation	10	(16,515)	(16,021)
Other administrative expenses		(26,619)	(25,956)
Total administrative expenses		(43,134)	(41,977)
Operating loss	6	(3,929)	(5,707)
Interest receivable and similar income		11	27
Interest payable and similar expenses	7	(14,083)	(11,867)
Loss before taxation		(18,001)	(17,547)
Tax on loss	9	774	(486)
Loss for the financial year		(17,227)	(18,033)

The notes on pages 18 to 32 form part of these financial statements

Chiron Midco Limited

Consolidated balance sheet as at 31 March 2021

	Note	31 March 2021 £'000	31 March 2020 £'000
Fixed assets			
Intangible assets	10	110,892	115,742
Tangible assets	11	14,432	15,922
		125,324	131,664
Current assets			
Inventories	13	363	256
Debtors	14	13,103	7,037
Cash at bank and in hand		17,944	15,278
		31,410	22,571
Creditors: amounts falling due within one year	15	(113,278)	(16,817)
Net current (liabilities)/assets		(81,868)	5,754
<i>Comprising:</i>			
<i>Net current assets excluding intercompany loans</i>		3,920	5,943
<i>Intercompany net liabilities</i>	14, 15	(85,788)	(189)
Total assets less current liabilities		43,456	137,418
Creditors: amounts falling due after more than one year	16	(62,577)	(138,176)
Provisions for liabilities	18	(3,828)	(4,964)
Net liabilities		(22,949)	(5,722)
Capital and reserves			
Called up share capital	20	-	-
Capital contribution reserve	16	49,414	49,414
Profit and loss account		(72,363)	(55,136)
Total equity		(22,949)	(5,722)

These financial statements on pages 13 to 32 were approved by the Board of Directors and authorised for issue on 3 September 2021.

Signed on behalf of the Board of Directors



L Keller
Director

Chiron Midco Limited

Company Registration Number: 10397142

The notes on pages 18 to 32 form part of these financial statements

Chiron Midco Limited


Company balance sheet as at 31 March 2021

	Note	31 March 2021 £'000	31 March 2020 £'000
Fixed assets			
Investments	12	-	-
Current assets			
Debtors	14	85,786	85,835
Creditors: amounts falling due within one year	15	(22)	(17)
Net current assets		85,764	85,818
Total assets less current liabilities		85,764	85,818
Creditors: amounts falling due after more than one year	16	(60,917)	(54,389)
Net assets		24,847	31,429
Capital and reserves			
Called up share capital	20	-	-
Capital contribution reserve	16	49,414	49,414
Profit and loss account		(24,567)	(17,985)
Total equity		24,847	31,429

The loss for the financial year dealt with in the financial statements of the parent company was £6,582,000 (2020: £5,884,000).

These financial statements on pages 13 to 32 were approved by the Board of Directors and authorised for issue on 3 September 2021.

Signed on behalf of the Board of Directors



L Keller
Director

Chiron Midco Limited

Company Registration Number: 10397142

The notes on pages 18 to 32 form part of these financial statements

Chiron Midco Limited

Consolidated and company statements of changes in equity for the year to 31 March 2021

Group

	Called up share capital £'000	Capital contribution reserve £'000	Profit and loss account £'000	Total equity £'000
At 1 April 2019	-	49,414	(37,103)	12,311
Loss and total comprehensive expense for the financial year	-	-	(18,033)	(18,033)
At 31 March 2020	-	49,414	(55,136)	(5,722)
Loss and total comprehensive expense for the financial year	-	-	(17,227)	(17,227)
At 31 March 2021	-	49,414	(72,363)	(22,949)

Company

	Called up share capital £'000	Capital contribution reserve £'000	Profit and loss account £'000	Total equity £'000
At 1 April 2019	-	49,414	(12,101)	37,313
Loss and total comprehensive expense for the financial year	-	-	(5,884)	(5,884)
At 31 March 2020	-	49,414	(17,985)	31,429
Loss and total comprehensive expense for the financial year	-	-	(6,582)	(6,582)
At 31 March 2021	-	49,414	(24,567)	24,847

The notes on pages 18 to 32 form part of these financial statements.

Chiron Midco Limited

Consolidated cash flow statement for the year to 31 March 2021

	Note	2021 £'000	2020 £'000
Net cash generated from operating activities	22	19,673	18,275
Corporation tax paid		(751)	(797)
Net cash generated from operating activities		18,922	17,478
Cash flows from investing activities			
Payments to acquire tangible fixed assets		(1,870)	(2,972)
Payments to acquire intangible fixed assets		(640)	(389)
Proceeds of sale of fixed assets		89	-
Purchase of subsidiary undertakings	25	(16,416)	(19,680)
Cash acquired with subsidiaries		1,375	290
Cash received from Chiron Topco Limited EBT for distribution to employees	24	1,648	-
Net cash utilised in investing activities		(15,814)	(22,751)
Cash flows from financing activities			
Interest paid		(5,077)	(5,387)
Receipt of bank loans		10,000	22,000
Repayment of bank loans		(88,000)	-
Loan issue costs paid		(174)	(784)
Advances/(repayments) of intercompany loans		85,568	(192)
Other loans repaid		-	(377)
Finance lease advances		-	436
Capital element of finance lease payments		(2,759)	(2,632)
Net cash (utilised in)/generated from financing activities		(442)	13,064
Increase in cash and cash equivalents		2,666	7,791
Cash and cash equivalents 1 April 2020/2019		15,278	7,487
Cash and cash equivalents 31 March 2021/2020		17,944	15,278

Non-cash movements

The major non-cash changes are amortisation of loan issue costs of £2,468,000 (2020: £641,000), new finance leases or hire purchase agreements of £960,000 (2020: £1,527,000) in respect of tangible fixed assets and interest from the unwinding of a discount on other loans of £6,527,000 (2020: £5,827,000).

The notes on pages 18 to 32 form part of these financial statements.

Notes to the financial statements for the year to 31 March 2021

1 General information

The company is a holding company and its subsidiaries provide and sell cloud, colocation, connectivity, collaboration and continuity services. The company is a private company, limited by shares, incorporated, registered and domiciled in England. The address of the registered office is Unit 1A-1B, Millennium Way, Pride Park, Derby, DE24 8HZ

2 Statement of compliance

The group and individual financial statements of Chiron Midco Limited have been prepared in compliance with United Kingdom Accounting Standards, including FRS 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ('FRS 102') and the Companies Act 2006. The group has adopted the December 2017 amendments to FRS 102 in these financial statements.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. These financial statements are prepared on a going concern basis, under the historical cost convention and as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group and company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Consolidation

The group financial statements include the results of the company and its subsidiary undertakings, made up to 31 March 2021. The results of the subsidiary undertakings are included from the date that effective control passed to the company. On acquisition, all the subsidiary undertakings' assets and liabilities at that date of acquisition are recorded under purchase accounting at fair value, having regard to condition at the date of acquisition. All changes to those assets and liabilities and the resulting gains and losses that arise after the company gained control are included in the post-acquisition results. Sales, profits and balances between group companies are eliminated on consolidation.

Going concern

The directors have considered the trading performance of the company and group, together with the factors likely to affect its future development as well as its current liquidity position. The directors have reviewed the group's forecasts and likely future cash flows, taking into account in particular the continued potential impact of COVID-19 on trading, the group's current net borrowings and uncommitted cash deposits. Following the investment by Providence Equity Partners in March-21 a new Senior Debt Facility, totalling £270m with repayment terms of between six and seven years across the committed facilities, was put in place with a leverage ratio covenant which will be measured from 31 March 2022. The group facilities are subject to this covenant test and the directors have run several downside scenarios, including those considered severe but plausible and factoring in reasonable mitigating factors, to demonstrate that no covenant breaches are considered likely. Post year end, the revolving credit facility element of the new facilities was initially increased from £15m to £18m and post the acquisition of TNP Topco Limited group of companies to £30m.

Based on the available information including resilient trading through the lock down periods in the economy, the directors consider that the company and group have the plans and resources needed to manage its business risks successfully and remain financially robust. Whilst COVID-19 continues to have some impact on certain customers Node4 benefits from operating with a diverse range of clients across resilient sectors such as Healthcare, Financial Services and IT and Software Services which are continuing to see growth and therefore provide the group with opportunities to grow. In addition, we saw a material improvement in trading conditions in the second half of FY21 despite further COVID lockdowns demonstrating how businesses have adapted to the current environment and we expect to continue to see this in FY22 as the successful vaccine roll-out continues. The group also benefits from offering critical IT infrastructure services and considers that the breadth of value-added services it can offer will remain attractive to a range of new clients in the current environment. However, management remains very focused on cash management to ensure that the business has sufficient headroom to manage the risk that are inherent in the current economic environment which continues to be impacted by COVID-19.

After making enquiries, the directors have a reasonable expectation that the company and group have adequate resources to continue operations for the foreseeable future. Accordingly, the going concern basis continues to be adopted in these financial statements.

Notes to the financial statements for the year to 31 March 2021 (continued)

3 Summary of significant accounting policies (continued)

Exemptions

The company has taken advantage of the exemption under FRS 102 not to disclose transactions between wholly owned entities in the group. The company discloses transactions with related parties which are not wholly owned group entities.

The company has taken advantage of the exemption under section 408 of the Companies Act 2006 not to present its profit and loss account and of the exemptions in FRS 102 from preparing an entity cash flow statement, entity key management remuneration and entity financial instruments disclosures.

Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the principal activity of the group, after deduction of trade discounts and VAT.

Turnover from the supply of goods and services represents the value of goods delivered to the customer and services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date, turnover represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year. This is released to the profit and loss account as services are performed.

Employee benefits

The group operates a defined contribution pension scheme. Contributions are recognised in the profit and loss account in the year in which they become payable in accordance with the rules of the scheme. Short term employee benefits including holiday pay are recognized as an expense in the period in which the service is rendered.

Research and development expenditure

All research costs are charged immediately to profit or loss. Costs incurred on development projects are recognised as intangible assets when they meet the requirements of FRS 102. Development costs that cannot be capitalised are charged to profit or loss in the period in which they occur.

Non-recurring items

The group classifies certain one-off charges or credits that have an impact on the group's financial results as 'non-recurring' items. These are disclosed separately to provide further understanding of the financial performance of the group.

Taxation

The taxation expense or credit comprises current and deferred tax recognised in the profit for the financial period or in other comprehensive income or equity if it arises from amounts recognised in other comprehensive income or directly in equity. Current tax is provided at amounts expected to be paid (or recovered) in respect of the taxable profits for the period using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Intangible assets

On acquisition of a subsidiary undertaking, the excess of the fair value of the consideration payable over fair values of the net assets acquired is recognised as goodwill. Such goodwill is capitalised and stated at historical cost less provisions for amortisation and any impairment. Goodwill arising on acquisition is amortised to the profit and loss account over its estimated life of 10 years.

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of acquisitions prior to 31 March 2017 including customer relationships were capitalised separately from goodwill if the fair value could be measured reliably on initial recognition. Intangible assets acquired as part of an acquisition were not recognised where they arise from legal or other contractual rights, and where there is no history of exchange transactions. In accordance with the amendments to FRS 102, from 1 April 2017 intangible assets including customer relationships are not recognised if they cannot be separated from the main trading business acquired. Intangible assets created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Notes to the financial statements for the year to 31 March 2021 (continued)

3 Summary of significant accounting policies (continued)

Intangible assets (continued)

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful lives. Customer lists and related customer relationships are amortised over 10 years and capitalised software costs are amortised to the profit and loss account over 3 to 5 years.

Intangible assets including goodwill are tested for impairment when an event that might affect asset values has occurred. Any such impairment in carrying value is written off to the profit and loss account immediately.

Tangible assets

Tangible fixed assets are stated at cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life, as follows:

Asset class	Depreciation method rate
Leasehold improvements	Straight line basis over the remaining term of the lease
Office equipment	33⅓% straight line basis
Fixtures and fittings	20% straight line basis
Hosting equipment	20 or 33⅓% straight line
Motor vehicles	20% straight line basis

Investments

Investments are stated at cost less provisions for any impairment. Investments are tested for impairment when an event that might affect asset values has occurred.

Inventories

Inventories are valued at the lower of purchase cost and net realisable value, after due regard for obsolete and slow moving items. Net realisable value is based on selling price less anticipated costs to completion and selling costs.

Financial assets

The group has chosen to adopt section 11 and 12 of FRS 102 in respect of recognition and measurement of financial instruments.

Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method. Cash and cash equivalents comprise cash held at bank which is available on demand.

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

Financial liabilities

Basic financial liabilities, including trade and other payables, bank borrowings and loans from fellow group companies 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.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires. Borrowings are initially stated at the fair value of the consideration received after deduction of wholly attributable issue costs. Issue costs are amortised to the profit and loss account over the estimated life of the relevant borrowings.

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments.

Notes to the financial statements for the year to 31 March 2021 (continued)

3 Summary of significant accounting policies (continued)

Financial liabilities (continued)

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expenses in the profit and loss account.

Leasing and hire purchase commitments

Assets obtained under leases which result in the transfer to the company or group of substantially all the risks and rewards of ownership (finance leases) and hire purchase contracts are included in the balance sheet at the estimated present value of underlying rental payments and are depreciated in accordance with the policy above. Obligations under such agreements are included in creditors, net of finance charges allocated to future years. The finance element of the rental payments is charged to the profit and loss account over the period of the lease or hire purchase contract so as to produce a constant periodic rate of charge on the outstanding balance of the net obligation in each year. Rentals paid under other leases (operating leases) are charged to the profit and loss account on a straight-line basis over the lease term.

Provisions

Provisions are recognised where the group has a legal or constructive obligation as a result of past events, measured at the present value of the expenditure which can be reliably estimated to be required to settle the obligations.

Share capital

Financial instruments issued by the company are treated as equity only to the extent that they do not meet the definition of a financial liability. The company's ordinary shares are classified as equity instruments.

Capital contribution

A capital contribution is recognised in respect of interest free loans from the parent company discounted at a market rate of interest. The discount is recorded as the contribution in reserves.

Profit and loss account

The profit and loss account reserve represents cumulative net losses from the statement of comprehensive income. Movements on the reserve are set out in the statement of changes in equity.

4 Critical accounting judgements and estimation uncertainty

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, not always equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Useful economic lives of tangible and intangible assets

The annual depreciation or amortisation charge for tangible and intangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See notes 10 and 11 for the carrying amounts of fixed assets and note 3 for the useful economic lives for each class of assets.

The group uses an estimate for the useful life of goodwill and customer intangible assets and the amortisation charges in line with the nature of the businesses acquired. There is no current indication that the company's businesses will not continue to trade profitably and hence the life may differ or be longer than the estimates used to amortise intangible assets.

Fair values and intangible assets on acquisition of a business

Fair values have been applied on the acquisition of a subsidiary which involve a degree of judgement and estimation in particular in the identification and evaluation of intangible assets. The values are derived from the business cash flow forecasts and assumptions based on experience and factors relevant to the nature of the business activity.

Contingent consideration on acquisition of a business

The consideration to acquire a business included in the cost and therefore goodwill represents the best estimate of the amounts assessed as probable to be paid in respect of the contingent elements. The group also exercises judgement in determining whether amounts are consideration or relate to remuneration where the seller continues to be employed, including reference to benchmarked salaries and the nature of the business acquisition arrangements. The contingent consideration is dependent on future events and the estimate is derived from forecasts and existing trends that impact the amount to be paid. As such the amounts are not certain and any future amendment would be treated as a change to the cost of acquisition and goodwill.

Notes to the financial statements for the year to 31 March 2021 (continued)

5 Turnover

IT services is considered to be the only material class of business carried on by the company and group. An analysis of turnover by customer geographical location is given below:

	2021 £'000	2020 £'000
United Kingdom	62,833	57,360
Rest of the World	303	351
	63,136	57,711

6 Operating loss

Operating loss is stated after charging:

	2021 £'000	2020 £'000
Operating lease rentals:		
• Plant and machinery	155	150
• Property	1,039	1,125
Auditors' remuneration:		
• Audit of the company's annual statutory financial statements	5	5
• Audit of the company's subsidiary undertakings	128	94
• For other assurance services	-	5
Impairment of trade debtors	160	307
Non-recurring commercial settlement costs	-	170
Non-recurring acquisition related costs including integration into group	94	244
Other non-recurring costs (including costs arising in respect of strategic review and restructuring)	222	504
Depreciation of tangible fixed assets	4,926	4,813
Amortisation of software intangible assets	756	691
Amortisation of customer intangible asset	3,757	3,756
Amortisation of goodwill	12,758	12,265

In addition to those disclosed above, £nil (2020: £115,000) of auditors' remuneration in respect of transaction related services has been capitalised and included in goodwill or loan issue costs.

7 Interest payable and similar expenses

	2021 £'000	2020 £'000
Interest on bank borrowings	4,855	5,146
Interest on finance leases and similar hire purchase contracts	233	253
Interest on amounts owed to group undertakings	6,527	5,827
Amortisation of issue costs	2,468	641
	14,083	11,867

The interest on amounts owed to group undertakings is the unwinding of a discounted amount and together with amortisation of issue costs represents non-cash items in the current and prior year.

**Notes to the financial statements
for the year to 31 March 2021 (continued)**

8 Information regarding directors and employees

	2021	2020
	£'000	£'000
Directors' remuneration – aggregate emoluments	437	583
Company pension contributions in respect of 2 (2020: 2) directors	3	3
Remuneration of the highest paid director:		
Aggregate emoluments	212	253
Company pension contributions	-	-

Average monthly number of persons employed	2021	2020
	Number	Number
Directors	4	4
Sales	114	104
Technical	185	165
Finance and administration	26	25
	329	298

Staff costs	2021	2020
	£'000	£'000
Wages and salaries	14,557	13,469
Social security costs	1,706	1,580
Other pension costs (note 19)	298	260
	16,561	15,309

The company has no employees other than the 4 directors and no payroll costs (2020: 4 directors and no payroll costs). The emoluments of the directors of this company which are disclosed above are borne by a subsidiary company.

Key management compensation

Key management comprises the directors and senior management of the company and of the subsidiaries with additional appointments made to this management group during the year. The compensation paid to key management for their employee services including pension contributions in the year was £2,490,000 (2020: £2,306,000). Members of key management also held shares in the former parent company, Chiron Topco Limited, receiving sale proceeds from these in the year with part reinvested in the new parent company, Atten Group Limited.

**Notes to the financial statements
for the year to 31 March 2021 (continued)**

9 Tax on loss

	2021	2020
	£'000	£'000
Current tax		
United Kingdom corporation tax	110	768
Adjustments in respect of prior years	29	(177)
Total current tax	139	591
Deferred tax		
Origination and reversal of timing differences	(873)	(650)
Change in tax rate	-	507
Adjustments in respect of prior years	(40)	38
Total deferred tax	(913)	(105)
Tax (credit)/charge on loss	(774)	486

Factors affecting the tax (credit)/charge for the year

Tax (credit)/charge on the loss for the year differs from the standard rate of corporation tax in the UK of 19% (2020: 19%).

The differences are reconciled below:

	2021	2020
	£'000	£'000
Loss before taxation	(18,001)	(17,547)
Corporation tax at standard rate of 19% (2020: 19%)	(3,420)	(3,334)
Factors affecting (credit)/charge for the year:		
Disallowable goodwill amortisation	2,424	2,330
Deduction in respect of EMI shares exercised	(1,055)	-
Disallowable expenses including non-deductible interest	1,298	1,141
Additional research and development relief	(10)	(19)
Tax rate differences	-	507
Adjustments in respect of prior years	(11)	(139)
Tax (credit)/charge on loss	(774)	486

In March 2020, the Finance Bill 2020 was substantively enacted which maintained the corporation tax rate at 19%. Previously enacted bills had included a reduction to 17%. Deferred taxes at the balance sheet date have been measured using the enacted tax rate of 19% and reflected in these financial statements.

In March 2021 it was announced that the rate of corporation tax is expected to increase to 25% from April 2023. The potential impact of a £1,130,000 increase in the deferred taxation liability (mainly in respect of the liability relating to intangible assets arising on consolidation only) is not recognised in these financial statements.

**Notes to the financial statements
for the year to 31 March 2021 (continued)**

10 Intangible assets

Group

	Software £'000	Customer relationships £'000	Goodwill £'000	Total £'000
Cost				
At 1 April 2020	2,808	37,567	126,353	166,728
Additions	640	-	14,781	15,421
Adjustment to contingent consideration	-	-	(3,000)	(3,000)
Disposals	(333)	-	-	(333)
At 31 March 2021	3,115	37,567	138,134	178,816
Accumulated amortisation				
At 1 April 2020	1,519	13,148	36,319	50,986
Charge for the year	756	3,757	12,758	17,271
Disposals	(333)	-	-	(333)
At 31 March 2021	1,942	16,905	49,077	67,924
Net book amount				
At 31 March 2021	1,173	20,662	89,057	110,892
At 31 March 2020	1,289	24,419	90,034	115,742

Leased assets

Included within the net book value of software intangible fixed assets is £215,000 (31 March 2020: £351,000) in respect of assets held under finance lease or similar hire purchase agreements. Amortisation for the year on these assets amounted to £136,000 (2020: £222,000) and is included within administration expenses.

Goodwill

Goodwill of £1,081,000 (31 March 2020: £1,258,000) relates to Onomi Limited, £52,171,000 (31 March 2020: £61,657,000) to Node 4 Holdings Limited, £20,662,000 (31 March 2020: £29,119,000) to Ensco 1032 Limited and its subsidiary Secura Hosting Limited and £14,658,000 to Starcom Technologies Limited acquired in the year (note 25). Amortisation is included within administrative expenses.

The initial estimate for contingent consideration in respect of the Secura business acquired in April 2019 has been revised from £12,500,000 to the final £9,500,000 paid resulting in a £3,000,000 reduction in the goodwill.

Company

The Company did not hold any intangible assets at any time during the current or prior year.

Notes to the financial statements for the year to 31 March 2021 (continued)

11 Tangible assets

Group	Leasehold improve- ments £'000	Fixtures and fittings £'000	Office equipment £'000	Motor vehicles £'000	Hosting equipment £'000	Total £'000
Cost						
At 1 April 2020	14,750	494	1,193	218	18,686	35,341
Additions	688	13	222	178	2,230	3,331
On acquisition	-	-	-	-	199	199
Disposals	(122)	(317)	(523)	(218)	(1,134)	(2,314)
At 31 March 2021	15,316	190	892	178	19,981	36,557
Accumulated depreciation						
At 1 April 2020	6,874	370	753	124	11,298	19,419
Charge for the year	1,508	37	241	10	3,130	4,926
Disposals	(122)	(317)	(523)	(124)	(1,134)	(2,220)
At 31 March 2021	8,260	90	471	10	13,294	22,125
Net book amount						
At 31 March 2021	7,056	100	421	168	6,687	14,432
At 31 March 2020	7,876	124	440	94	7,388	15,922

Leased assets

Included within the net book value is £3,509,000 in hosting equipment (2020: £4,770,000), £763,000 in leasehold improvements (31 March 2020: £948,000) and £nil in motor vehicles (31 March 2020: £74,000) in respect of assets held under finance lease or similar hire purchase agreements. Depreciation for the year on these assets amounted to £1,793,000 (2020: £1,935,000).

Company

The Company did not hold any tangible assets at any time during the current or prior year.

12 Investments

Company	Investments in subsidiary undertakings £'000
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Cost and net book value

At 31 March 2021 and at 31 March 2020

-

The company owns all of the issued ordinary share capital of Chiron Bidco Limited (directly), Node 4 Holdings Limited, Node 4 Limited, Node4 FZE, Ensco 1032 Limited, Secura Hosting Ltd, Secura Hosting Trustee Limited, Onomi Limited, Starcom Technologies Limited, Node4 Hosting Limited and Node 4 Managed Services Inc (indirectly). These are all companies registered in England and Wales at Unit 1A-1B, Millennium Way, Pride Park, Derby, DE24 8HZ except Node 4 Managed Services Inc which is registered at Suite 101, 203 NE Front, Milford, Kent, 19963, USA, Node4 Hosting Limited registered at Unit 6, Pulsant Data Centre, Flassches Yard, Edinburgh, Scotland, EH12 9LB and Node4 FZE which is registered at Level 3 The Offices, One Central, World Trade Centre, PO Box 9573, Dubai, United Arab Emirates.

Chiron Bidco Limited, Node 4 Holdings Limited and Ensco 1032 Limited are intermediate holding companies, Node 4 Limited, Secura Hosting Ltd, Onomi Limited and Starcom Technologies Limited are providers of IT services and Node4 FZE provides technical support services. Node4 Hosting Limited is dormant.

The company agrees to guarantee the liabilities of Ensco 1032 Limited (08807430) thereby allowing this subsidiary to take exemption from having an audit for the year ended 31 March 2021 under section 479A of the Companies Act 2006.

**Notes to the financial statements
for the year to 31 March 2021 (continued)**

13 Inventories

Group	31 March 2021 £'000	31 March 2020 £'000
Consumables and goods for resale	363	256

There is no significant difference between the replacement cost of goods for resale and their carrying value. The company has no inventories.

14 Debtors

Group	31 March 2021 £'000	31 March 2020 £'000
Trade debtors	7,138	4,850
Amounts owed by parent undertakings	3,166	388
Corporation tax	544	-
Other debtors	183	67
Prepayments and accrued income	2,072	1,732
	13,103	7,037

Company	2020 £'000	2019 £'000
Amounts owed by group undertakings	85,786	85,835

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and repayable on demand. Trade debtors are stated after provisions for impairment of £160,000 (31 March 2020: £307,000).

15 Creditors: amounts falling due within one year

Group	31 March 2021 £'000	31 March 2020 £'000
Bank loans and overdrafts	-	2,000
Trade creditors	4,893	3,131
Finance leases and similar hire purchase contracts	1,910	2,788
Amounts owed to parent undertakings	88,954	577
Corporation tax	-	100
Other taxation and social security	4,101	2,035
Other creditors	7,507	2,795
Accruals and deferred income	5,913	3,391
	113,278	16,817

Company	2021 £'000	2020 £'000
Accruals and deferred income	22	17

Obligations under finance lease and similar hire purchase contracts are secured on the specific hosting equipment assets to which the finance relates.

**Notes to the financial statements
for the year to 31 March 2021 (continued)**

16 Creditors: amounts falling due after more than one year

Group	31 March 2021	31 March 2020
	£'000	£'000
Amounts falling due between one and five years:		
Finance leases and similar hire purchase contracts	1,660	2,581
Bank loans	-	73,706
Other creditors	-	7,500
Amounts owed to parent undertakings	51,362	45,857
	53,022	129,644
Amounts falling due after more than five years:		
Amounts owed to parent undertaking	9,555	8,532
Total creditors falling due after more than one year	62,577	138,176

Company	31 March 2021	31 March 2020
	£'000	£'000
Amounts owed to group undertakings falling due between one and five years	51,362	45,857
Amounts owed to group undertakings falling after more than five years	9,555	8,532
	60,917	54,389

Obligations under finance lease and similar hire purchase contracts are secured on the specific assets to which the finance relates. There are no significant contingent rental, renewal or purchase option clauses.

Bank loans are non-instalment debt and are secured by fixed and floating charges over all the assets of the company and the group. £nil (31 March 2020: £17,700,000) of the bank loans bear interest at 3% over LIBOR and £nil (2020: £58,300,000) of the bank loans interest at 6.5% to 8% over LIBOR. The loan liabilities are stated net of unamortised loan issue costs as at 31 March 2021 of £nil (31 March 2020: £2,294,000) which was being amortised over the period to the repayment date of the loan on 4 October 2023 and was accelerated on repayment of the loans on 19 March 2021.

From September 2020 there was a 2.0% cap on the LIBOR rate in place on £75,000,000 of bank debt running until September 2022.

In accordance with FRS 102 a market rate of interest has been applied to the unsecured interest free amounts owed to group undertakings resulting in a discounted amount at inception and an interest charge. This resulted in a discount and capital contribution of £49,414,000 at the date when the loans were advanced in October 2016. An amount of £68,170,000 is repayable on 4 October 2023 and is stated net of a discount of £16,808,000 at 31 March 2021 (£22,313,000 at 31 March 2020). An amount of £17,818,000 is repayable on 4 October 2026 and is stated net of a discount of £8,263,000 at 31 March 2021 (£9,286,000 at 31 March 2020).

Notes to the financial statements for the year to 31 March 2021 (continued)

17 Financial instruments

Group	31 March 2021 £'000	31 March 2020 £'000
Financial assets measured at amortised cost	28,545	20,513
Financial liabilities measured at amortised cost	172,217	151,320

Financial instruments comprising cash balances, trade debtors and other debtors within assets and trade creditors, other creditors, accruals, hire purchase obligations, intercompany debt and bank loans within liabilities as applicable in the company or group are all measured at amortised cost which is considered to be the same as the fair value.

In the company and group amounts owed to group undertakings have been discounted at a market rate of interest (see note 16) and then measured on an amortised cost basis.

Interest rates applicable to the loans are disclosed in note 16.

18 Provisions for liabilities

Group	Property dilapidations £'000	Deferred tax £'000	Total £'000
At 1 April 2020	250	4,714	4,964
On acquisition of subsidiary	-	(223)	(223)
Credit for the year	-	(913)	(913)
As at 31 March 2021	250	3,578	3,828

Dilapidation provisions cover the costs of returning properties to conditions agreed with the landlords/lessors. These provisions are expected to be utilised by 2028.

Deferred tax liabilities/(assets) provided for in full in these financial statements are as follows:

	2021 £'000	2020 £'000
Accelerated capital allowances	(330)	88
Other timing differences	(18)	(14)
In respect of customer intangible assets	3,926	4,640
	3,578	4,714

Approximately £800,000 of the deferred tax liability (31 March 2020: £800,000) is expected to reverse in the next year, principally arising from the amortisation of customer intangible assets and the related deferred tax liability.

The company has no deferred tax assets or liabilities (31 March 2020: £nil).

19 Pension schemes

Defined contribution pension scheme

The group operates defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the group to the schemes and amounted to £298,000 (2020: £260,000).

Contributions totalling £53,000 were due to the schemes at the end of the year (2020: £47,000).

**Notes to the financial statements
for the year to 31 March 2021 (continued)**

20 Called up share capital

	31 March 2021 Allotted, called up and fully paid £'000	31 March 2020 Allotted, called up and fully paid £'000
Group and company		
One (2020: one) ordinary share of £1	-	-

There is a single class of ordinary shares with no restriction on the distribution of dividends or repayment of capital.

21 Financial commitments

At 31 March the group had commitments under non-cancellable operating leases as set out below:

	Land and buildings 2021 £'000	Other 2021 £'000	Land and buildings 2020 £'000	Other 2020 £'000
Payments falling due:				
Within one year	921	160	976	117
In two to five years	2,352	126	2,666	69
More than 5 years	426	-	921	-
	3,699	286	4,563	186

The group had capital commitments of £nil at 31 March 2021 (31 March 2020: £nil).

The company has no commitments under non-cancellable operating leases or for capital purchases.

22 Reconciliation of loss for the year to cash flow from operating activities

	2021 £'000	2020 £'000
Loss for the financial year	(17,227)	(18,033)
Net interest payable and similar expenses	14,072	11,840
Taxation on loss	(774)	486
Operating loss	(3,929)	(5,707)
Depreciation of tangible fixed assets	4,926	4,813
Loss on disposal of fixed assets	5	-
Amortisation of intangible assets	17,271	16,712
(Increase) in inventories	(64)	(142)
(Increase)/decrease in debtors	(748)	1,121
Increase in creditors	2,212	1,478
Net cash inflow generated from operating activities	19,673	18,275

Notes to the financial statements for the year to 31 March 2021 (continued)

23 Reconciliation of net debt

	At 1 April 2020 £'000	Cash flow £'000	Non cash changes £'000	At 31 March 2021 £'000
Cash at bank and in hand	15,278	2,666	-	17,944
Revolving facility bank loan	(2,000)	2,000	-	-
Finance leases and similar hire purchase contracts	(5,369)	2,759	(960)	(3,570)
Loans from group undertakings	(54,578)	(85,568)	(6,559)	(146,705)
Bank loans	(73,706)	76,000	(2,294)	-
Net debt	(120,375)	(2,143)	(9,813)	(132,331)

24 Related party transactions

During the year, the group was involved in the following related party transactions.

G&W Properties Ltd

Mr A Gilbert, a director of the company, is a director and shareholder in G&W Properties Ltd, the owner of property occupied by the group. During the year, the group incurred rental charges from G&W Properties Ltd of £660,000 (2020: £683,000). At 31 March 2021, £nil (31 March 2020: £nil) was due to G&W Properties Ltd and an amount of £144,000 (31 March 2020: £144,000) of rent charged was held in prepayments.

Alpha Golf Aviation LLP

Mr A Gilbert, a director of the company, is a director of and shareholder in Alpha Golf Aviation LLP. During the year, the group incurred business travel expenses from Alpha Golf Aviation LLP of £9,250 (31 March 2020: £8,788). At the balance sheet date, £nil was due to Alpha Golf Aviation LLP (31 March 2020: £nil).

Bowmark Capital and Lloyds Development Capital (LDC)

Funds managed by Bowmark Capital and LDC owned the ordinary shares in the group until 19 March 2021. Under an agreement between the shareholders, they were entitled to appoint directors of the company and charge monitoring fees. Under these contractual arrangements Bowmark Capital charged £73,000 (2020: £76,000) and LDC £23,000 (2020: £24,000) of monitoring fees to the parent company in the year.

In the ordinary course of the group's IT services business, the customer base and turnover includes amounts for services to other companies or groups where Bowmark Capital manages majority holdings made by its funds. The aggregate amount of these sales included in turnover is £1,746,000 (2020: £1,058,000).

Chiron Topco Limited

£115,000 (2020: £192,000) of operating expenses were paid on behalf of Chiron Topco Limited and £32,000 (2020: £34,000) of group relief for tax was payable for the year. An amount of £437,000 was owed by and £543,000 was owed to Chiron Topco Limited at 31 March 2021 (31 March 2020: £388,000 owed by and £577,000 owed to Chiron Topco Limited).

Chiron Topco Limited also advanced £85,988,000 to the group to fund the acquisition of Node 4 Holdings Limited. An amount of £68,170,000 is repayable on 4 October 2023 and is stated net of a discount of £16,808,000 at 31 March 2021 (£22,313,000 at 31 March 2020). An amount of £17,818,000 is repayable on 4 October 2026 and is stated net of a discount of £8,263,000 at 31 March 2021 (£9,286,000 at 31 March 2020).

Atten Bidco Limited

£88,410,000 was advanced by Atten Bidco Limited, a new parent company, to Chiron Bidco Limited to fund the repayment of bank loans in March 2021 and Node 4 Limited has advanced £2,729,000 to Atten Bidco Limited to meet acquisition and funding related expenses. Both amounts are interest free with no fixed repayment date and were outstanding at 31 March 2021. £1,648,000 of cash was also received from Atten Bidco Limited in respect of its acquisition of the Chiron Topco Limited group shares held by the Chiron Topco Employee Benefit Trust and is included in other creditors at 31 March 2021. Payment has subsequently been made to employees in respect of their interests in Chiron Topco Limited shareholdings sold to Atten Bidco Limited.

Notes to the financial statements for the year to 31 March 2021 (continued)

25 Acquisition

On 26 February 2021, the group acquired 100% of the share capital of Starcom Technologies Limited and K3 Managed Services, Inc (renamed Node 4 Managed Services, Inc) for a total cash consideration of £15,219,000. As part of the acquisition, the group drew down £10,000,000 from the existing committed acquisition facilities

The goodwill arising of £14,781,000 is attributable to the existing customer and business activity including the workforce together with the business synergies from being within the Node4 group. The goodwill is being amortised over its expected useful life of 10 years.

The transaction has been accounted for under the purchase method of accounting with fair values considered to be represented by the book values at acquisition.

	Book and fair value £'000
Tangible fixed assets	199
Cash at bank and in hand	1,375
Inventories	43
Debtors	1,996
Creditors	(3,398)
Deferred taxation	223
Net assets acquired	438
Goodwill arising on acquisition	14,781
	15,219
Consideration satisfied by:	
Cash	14,762
Acquisition expenses	457
	15,219

Starcom Technologies Limited contributed £977,000 of revenue and £136,000 of profit before taxation to the consolidated results for the year.

Investing cash flows in respect of acquisitions comprise the £14,762,000 shown above and £1,197,000 of deferred consideration paid in the year in respect of the Secura companies acquired in the prior year.

26 Contingent liabilities

The company and group has provided a guarantee, secured by fixed and floating charges over its assets, in respect of the net bank and other secured loan borrowings of a parent company Atten Bidco Limited, which at 31 March 2021 amounted to £175,000,000.

27 Post balance sheet events

On 2 August 2021, the new parent company, Atten Bidco Limited, acquired the TNP Topco Limited group of companies trading as 'The Nav People' for an enterprise value of £96m, funded by £55m of equity and £43.5m of acquisition loan facilities secured on the group assets.

28 Controlling party

Chiron Topco Limited is the immediate parent company and Atten Group Limited is the ultimate parent company following the acquisition of Chiron Topco Limited on 19 March 2021 and no party has a controlling beneficial interest in the parent company. The first accounting period end of Atten Group Limited will be 31 March 2022. Providence Equity Partners LLC manages the interest of the investing Providence fund, which held the majority of the shares in the group as of 31 March 2021, and was represented on the group board.

Chiron Midco Limited is the only group company to prepare consolidated financial statements at 31 March 2021.