

REGISTERED NUMBER: 09075228

Pulsant Parent Limited
Annual Report and Consolidated Financial Statements
for the Year Ended 31 December 2018

THURSDAY



A8EBNFIO

A03

19/09/2019

#99

COMPANIES HOUSE

Pulsant Parent Limited

**Contents of the Consolidated Annual Report and Financial Statements
For The Year Ended 31 December 2018**

	Page
Officers and Professional Advisers	1
Strategic Report	2
Directors' Report	7
<i>Directors' Responsibilities Statement</i>	10
Independent Auditor's Report	11
Consolidated Statement of Comprehensive Income	13
Consolidated Balance sheet	14
Company Balance sheet	15
Consolidated Statement of Changes in Equity	16
Company Statement of Changes in Equity	17
Consolidated Cash Flow Statement	18
Notes to the Consolidated Financial Statements	19

Pulsant Parent Limited
Annual Report and Financial Statements

Officers and Professional Advisers
For The Year Ended 31 December 2018

Directors:	B Petzer N Sanfridsson D Scott
Registered office:	Blue Square House Priors Way Maidenhead United Kingdom SL6 2HP
Registered number:	09075228 (England and Wales)
Auditor:	Deloitte LLP 110 Queen St Glasgow United Kingdom G1 3BX
Banker:	HSBC Bank 69 Pall Mall London United Kingdom SW1Y 5EY
Solicitor:	Ropes & Gray 60 Ludgate Hill London United Kingdom EC4M 7AW

Pulsant Parent Limited

Strategic Report

For The Year Ended 31 December 2018

The directors present their strategic report for the Group for the year ended 31 December 2018 and are pleased to report a further year in which revenues continued to grow organically.

This strategic report has been prepared for the Group (Pulsant Group Holdings Limited and its wholly owned subsidiaries) as a whole and therefore gives greater emphasis to those matters which are significant to Pulsant Parent Limited and its subsidiary undertakings when viewed as a whole.

Pulsant have invested in additional cloud services and capabilities during the year as the market for various types of cloud services continues to grow and evolve. There continues to be good opportunities for long term growth as an ever-greater number of companies move an increasing number of applications and workloads to the cloud.

Pulsant undertook a significant change programme over the course of the year, which focused on consolidating and rationalising our people and property, that is expected to deliver a significant run rate EBITDA improvement in future years.

Principal activities

The principal activity of Pulsant Parent Limited is to act as a holding company for the Group. The principal activity of the Pulsant Group is the provision of colocation and managed hybrid IT environments to mid and large sized organisations. The Group owns and operates 10 enterprise class UK-based data centres from which it services over 3,000 clients. It also delivers managed hosting and cloud services to customers from third party data centres in the USA and Continental Europe.

Pulsant is a leading provider of technology services to customers from many different business sectors who require a trusted partner to meet their IT infrastructure and connectivity requirements. Pulsant delivers service to organisations across the private, public and charitable sector, from local authorities to enterprise class businesses allowing them to take full advantage of the scalability, flexibility, performance and security that is a key feature of all Pulsant services. This increasingly requires helping to implement and manage hybrid IT environments. The company derives substantially all of its recurring revenues from:

- Colocation;
- Managed cloud (private, multi-tenanted and public);
- Managed hosting;
- Managed networks;
- Managed IT services/managed applications; and
- Business Continuity and Workplace Recovery.

Strategy

Pulsant has continued its strategy of delivering world-class colocation, cloud computing, managed hosting and managed networking services, focused largely on the mid-market. The continued development and investment in quality data centre and network infrastructure, alongside the development and provisioning of enterprise-grade cloud computing capabilities, has delivered the progress required within the strategy, both in terms of capability and scale. Pulsant is well placed to deliver a strong range of cloud, colocation and infrastructure services to mid to large sized organisations.

The pace of change continues to increase and the importance of being able to offer access to the hyperscale public cloud providers (Microsoft Azure, Amazon Web Services "AWS" and Google Cloud Platform), alongside private clouds as part of an overall managed cloud solution, continues to grow in importance for our customers. Pulsant continues to invest in its people, their training and technical accreditations to ensure that they can deliver ever more sophisticated cloud solutions, as well as developing close partnerships with the hyperscale public cloud providers to ensure that its customers get access to the most appropriate cloud solutions. Whether the optimal solution is colocation, private cloud, public cloud, managed hosting or a combination of these, it will be delivered in an integrated manner with Pulsant providing service and support 24/7/365, and with the necessary network connectivity and security around it.

The focus remains on customers who have a critical dependency on IT, run a sophisticated and integrated IT environment and operate over multiple sites. Pulsant acts as a trusted partner to organisations in managing their IT requirements and this increasingly involves Pulsant in preparing and managing a customer's transformation from an existing on-premise solution to a hybrid cloud model which may involve both private cloud and access to the public cloud. The majority of businesses today are heavily dependent on IT and require assistance to architect the appropriate cloud strategy and understand the myriad of cloud services that are on offer to them. Pulsant provides a management service wrap across both private and public cloud platforms to meet the client's requirements.

Pulsant Parent Limited

Strategic Report (continued)

For The Year Ended 31 December 2018

Strategy (continued)

The Pulsant professional services team provides the skills and resources necessary to deliver the increasingly sophisticated transformation and migration projects undertaken by our customers as they move from on-premise IT provision to a hybrid model incorporating elements of colocation, private and public cloud, as well as potentially maintaining some IT in house.

As the market for cloud services continues to grow, the option of adopting hybrid private, multi-tenanted and public cloud solutions has added a further level of choice and complexity to the IT buying decisions that organisations face. Pulsant continues to make significant investments in its core infrastructure; in its own highly secure and high-performance cloud platforms; in network and security systems; in facilitating access to the hyperscale public cloud providers; and in growing and developing the skills of its workforce to ensure that its customers can benefit from a wide range of hosting and connectivity solutions.

A dedicated propositions team ensures that Pulsant can provide its customers with the most efficient and cost-effective cloud, storage, backup, network and security services delivered using enterprise-grade technology from partners such as HP, Dell, Microsoft, Cisco, VMware Asigra and Veeam. The team has also delivered platforms to ensure that customers can link seamlessly to Microsoft Azure, AWS and Google Cloud Platform, where access to those ecosystems is part of an optimal solution.

Pulsant continues to believe that ownership of its own data centre infrastructure and the development of its highly skilled technical and operational teams, underpinned by key accreditations (cloud security, information security, quality management and environmental management), provides its customers with confidence that it will continue to deliver high quality services.

Business review

Key highlights include:

- A number of key customer wins including Cripps, Standard Life, Just Group, Dealflo, Boeing, Penningtons and Bodycote;
- Cloud revenues growing by 28%;
- Increased capability in delivering hybrid and public cloud solutions; and
- Completion of a change programme, bringing together our people and skills into centralised locations, rationalising our property estate and investing in improved systems that are expected to deliver significant run-rate EBITDA improvements.

Trading was challenging in 2018 given the requirement to maintain our high levels of customer service whilst undertaking the complex business change programme. In addition, the performance of LayerV did not match expectations, the business having found it difficult to attract significant new customers. As a result of these challenges, Pulsant has reported a small drop in normalised EBITDA. In line with previous years the company continued to increase investment in sales, marketing and proposition development in order to accelerate and broaden its cloud capabilities and take advantage of the strong growth in the cloud marketplace.

On 31 May 2018 the Group completed a refinancing of all existing bank debt as a result of which all bank loans outstanding at that date were repaid in full. This included the senior debt, mezzanine debt, the capex acquisition and revolving credit facilities. Under the new financing arrangement, the senior debt consists of a single tranche of £135,000,000 repayable in May 2023 and carries interest at 5.25% above LIBOR. There is a revolving credit facility of £10,000,000 which has not been drawn down and which is repayable in May 2023 and carries interest at 5.25% above LIBOR. If the leverage drops below agreed levels then the interest rate on both senior debt and revolving credit facility falls to 5%.

The directors use Key Performance Indicators (“KPIs”) to monitor and assess the company performance. The figures in the table below provide the performance of the group for the years ending 31 December for 2018 and 2017. The pro forma performance for LayerV Holdings Limited, which was acquired on 10 August 2017, is not included in the below table as the business is a startup and the inclusion of its performance would not aid the understanding of the underlying year on year performance of the Group. LayerV Holdings Limited incurred an EBITDA loss for the year ended 31 December 2018 of £818,000 (2017 – post acquisition EBITDA loss of £952,000).

Pulsant Parent Limited

Strategic Report (continued) For The Year Ended 31 December 2018

Key performance indicators - continued

The principal financial KPIs are as follows:

KPIs	as restated		Growth
	2018 £'000	2017 £'000	%
Revenue	81,454	79,957	2%
Gross profit	21,622	22,132	(2%)
EBITDA before exceptional items ¹	20,697	20,737	0%
Management normalisation adjustments*	481	397	21%
EBITDA before exceptional items on normalised basis	21,178	21,205	(1%)

* Non-operational costs incurred in respect of property leases and non-executive director costs.

The directors also monitor the following key performance measures to manage the business:

- Customer retention;
- Sales bookings from both existing and new customers;
- Data centre and cloud infrastructure utilisation; and
- Employee retention.

Outlook

We look forward with confidence to the year ahead as organisations continue to migrate their IT infrastructure to third party managed hosting and cloud computing environments, and the demand for data centre capacity continues to grow. We believe we have the appropriate skills and experience to continue to deliver high quality cloud computing and data centre services to both existing customers and new customers. In addition, the company's partnership with Microsoft to deliver the benefits of Azure cloud services, including Azure Stack from the Pulsant's data centres, and its ability to provide AWS cloud services, gives Pulsant the capability to deliver and manage the full range of a customer's hosting requirements from colocation to private cloud and public cloud. Further, we expect further colocation opportunities to materialise this year.

The business change programme that was completed in 2018 is expected to result in a significant run-rate EBITDA benefit in 2019.

Pulsant has continued to invest in its professional services teams, in order to provide transition and transformation services to organisations wanting to move to a cloud environment, and this continues to be a key factor in businesses selecting Pulsant to migrate and host their business-critical IT systems.

Pulsant aims to grow organically to deliver both further scale and capability. Pulsant has the strong support of its shareholders and banking group to pursue such a strategy.

The environment

The Board is conscious that as a major data centre provider, Pulsant is a large user of power and it works to use power as efficiently as possible. This provides the twin benefits of minimising the business's carbon footprint and allowing it to deliver more cost-effective services to its customers.

Pulsant only buys green power, and all Pulsant data centres operate within the climate change agreement (CCA) as it applies to data centre operators. The aim of the CCA is to improve energy stewardship with participants undertaking to meet energy efficiency targets related to a reduction in power usage effectiveness (PUE).

¹ EBITDA is calculated as the operating loss per the Statement of Comprehensive Income (2018: £19,135k; 2017: £17,656k) excluding LayerV post-acquisition EBITDA loss of (2018: £818k; 2017: £952k) plus any depreciation and amortisation within notes 10 and 11 (2018: £36,436k; 2017: £36,264k) and exceptional expenses within note 4 (2018: £2,578k; 2017: £1,177k).

Pulsant Parent Limited

Strategic Report (continued) For The Year Ended 31 December 2018

Principal risks and uncertainties

Economic and market risks

The business environment and the level of general economic activity in the UK affect the demand for Pulsant's services. Any changes in economic activity may impact the demand for its services. However, other than a material, unexpected change in the use of IT, the Board anticipates that the demand for cloud computing and colocation services will continue to experience significant growth for the foreseeable future.

As part of Pulsant's investment strategy, market data is regularly reviewed in order to consider market developments and changes to the competitive landscape.

The key services offered provide for long term contracts and annuity revenue returns that deliver good returns on capital investments made.

Pulsant is not dependent on a small number of customers and the customer base is well diversified by sector and geography.

The Company has considered the effect of Brexit and its not expecting any significant impact from it but is continuously monitoring the situation.

Competition

The managed cloud, hosted IT and colocation market is large and fast growing and inevitably the market is competitive. The market is serviced by both large global organisations and smaller regional players, all competing for market share. The colocation market in particular can be impacted by new capacity being introduced by competitors in any particular region.

We believe that Pulsant offers exceptionally high levels of service, performance and availability, and a very broad range of services, backed up by world class infrastructure, systems and technical expertise, which sets it apart from the competition. This will allow Pulsant to continue to meet the needs of its existing customers as well as win new customers.

Employees

Pulsant recognises that it is dependent on the skill and experience of its employees to deliver the services that its customers expect. Pulsant aims to recruit and retain suitably skilled and experienced staff by offering competitive salaries, good employee benefits and a rewarding work environment.

Datacentre and network operation

The Directors believe that one of the key differentiators for Pulsant is that it delivers services from its own controlled and managed infrastructure, such as its own cloud platforms, data centres and core network.

The 100% availability of its data centres, core network and cloud platforms is fundamental to delivering services to Pulsant's customers. All data centres, networks and systems have fully resilient fail-over procedures with regular testing of back-up recovery plans.

There is an ongoing preventative maintenance programme to ensure that the data centres are operating as efficiently and effectively as possible. The core network connecting the ten data centres in the UK, the key third party data centres overseas and the Internet, is designed in a resilient manner in order that there are no single points of failure to ensure that the likelihood of network downtime is minimised.

Pulsant has gold standard maintenance contracts in place with key data centre equipment and network hardware and network security suppliers to support the achievement of 100% uptime.

Key suppliers

There are a number of key vendors whose services are critical to Pulsant. Where possible (as with telecommunication services), the business purchases services from multiple vendors in order to ensure resilience. With most vendors, the risk is mitigated as Pulsant is aware of other vendors who could provide the same service or product with a manageable level of disruption. The business procures services from reputable suppliers in order to mitigate the risk of supplier failure and aims to maintain good working relationships with all key suppliers.

The power for all Pulsant's data centres is provided by SSE, one of the largest power distributors in the UK, as this currently provides best commercial value for Pulsant, although there are several other providers available if needed. All Pulsant's data centres have multiple UPS systems and backup generator facilities as an alternative source of power.


Pulsant Parent Limited

Strategic Report (continued)
For The Year Ended 31 December 2018

Future developments

The directors expect the general level of activity to improve both in terms of revenue and EBITDA in the forthcoming year.

Approved by the Board of Directors on behalf of the Board:


.....
Bradley Felzer - Director

Date: 25/07/2019.....

Blue Square House
Priors Way
Maldenhead
United Kingdom
SL6 2HP

Pulsant Parent Limited

Directors' Report

For The Year Ended 31 December 2018

The directors have pleasure in submitting their annual report and audited financial statements for the period ended 31 December 2018.

Future developments

Details of future developments can be found in the Strategic report on page 2 and form part of this report by cross reference.

Directors

The directors who served during the year and up to the date of this report are set out on page 1.

Directors' indemnities

The company has made qualifying third-party indemnity provisions for the benefit of its directors which remain in force at the date of this report.

Dividends

No dividend was paid or proposed during the year or the prior year.

Charitable donations

The Group made charitable donations of £2,600 during the year (2017: £4,700).

Employees

A great deal of effort is devoted to providing clear and consistent communication of the company strategy and plans to enable employees to deliver the strategy. Monthly meetings are held between management and employees through which management seeks to keep all employees informed of, and involved in, the progress and performance of Pulsant. We actively encourage the involvement of employees in the performance and success of Pulsant through the company-wide employee bonus scheme.

Pulsant is committed to the personal and professional development of all employees and to ensuring that they have a challenging and rewarding work environment.

Pulsant ensures all employees receive at least the living wage and can work in a safe and pleasant workplace.

Pulsant employees are encouraged to "Give Something Back" by spending a working day away from work supporting a local *community initiative or charity*.

Equal opportunities

The Group is committed to being an equal opportunity employer and applies fair and equitable employment policies which seek to promote entry into and progression within the Group on a non-discriminatory basis.

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Pulsant Parent Limited

Directors' Report (continued) For The Year Ended 31 December 2018

Going concern

The Directors, in their consideration of whether the Group is a going concern, have reviewed the Group's future cash forecasts and revenue projections from 1 January 2019 to 31 December 2021, which have been prepared on the basis of market knowledge, past experience and current trading conditions.

The banking facilities are provided on a group wide basis and following the successful refinancing of all existing bank debt in May 2018 the directors are of the opinion that the company and the Group's forecasts and revenue projections, taking account of reasonable possible changes in trading performance, show that the company and the group should be able to operate within its current facilities. The Directors are mindful that the company and the group's management team has a strong focus on liquidity and cash flow management and that it is currently financed through term loan facilities committed to 2023.

Having assessed the responses of the Directors of Pulsant Group Holdings Limited to their enquiries and based on the forecast and projections, the Group's committed debt position and the projected cash generation from trading, the Directors continue to adopt the going concern basis in preparing the financial statements.

Financial risk management

Pulsant's activities expose it to a number of financial risks, including liquidity risk, credit risk, commercial risk and managerial risk. Pulsant does not use derivative financial instruments for speculative purposes.

Liquidity risk

The company manages liquidity risk by closely monitoring cash flow and forecasting cash flow for future periods. The Group's cash flow forecasts are updated regularly to ensure that sufficient funds are available to meet all financial commitments. Adequate cash reserves and banking facilities are maintained to support the future growth of the business.

Power is a significant cost to the business and Pulsant has a contract with an independent energy management company in order that it can closely monitor the movement in future power prices and hedge its forward position where appropriate. A sub-group of the board acts as an Energy Risk Committee that meets every month (or more regularly if required) to review and determine future power purchasing strategies. The directors provide the energy management company with limits to the level of exposure to future price rises that the company is willing to accept. This determines the proportion of future power requirements for which pricing is fixed at any point in time.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the company. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of a provision for doubtful receivables. A provision for impairment would be made where there was an identified loss event which, based on previous experience, was evidence of a reduction in the recoverability of the balance due.

Very few customers receive greater than 30 days credit terms and this minimises the impact of any non-payment. The company closely monitors the payment history of all customers and communicates with a customer very early if payment is not received on the due date. Pulsant reserves the right to terminate service where no payment has been received. The potential credit risk is mitigated by a diversified customer base.

Large scale contracts are only signed with customers whom the directors are satisfied have a satisfactory credit rating.

Commercial risk

Pulsant seeks to mitigate commercial and operational risks through ensuring operational policies are followed, matching service level agreements with customers to service level agreements provided by suppliers, ensuring the credit control function is properly resourced and by ongoing review of changes in the industry.

All new customers' contracts are subject to a sales governance process which requires commercial, operational and financial sign off at different levels dependent on the standardisation of the service that is to be provided, the complexity and the scale.

The sales governance process is delivering efficiencies into the project management and transitioning functions as improved data capture and specification of the customer requirements at the pre-contract stage allows the resource and timescales required to deliver a particular customer project to be properly considered and factored into the contract.

Pulsant Parent Limited

Directors' Report (continued)

For The Year Ended 31 December 2018

Financial risk management (continued)

Managerial risk

Pulsant has a highly regarded and experienced management team and all the directors are shareholders who would be financially disadvantaged by leaving the business.

Internal Control

The board approves the budget for the following year.

The board reviews the monthly management accounts and other key business metrics against the budget and obtains explanations for variances from the budget.

The board approves all large-scale capital expenditure.

There is a delegation of authority matrix which governs all purchase approvals, bank payments, non-standard customer contracts and pricing models.

Auditor


Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on behalf of the Board:


.....
Bradley Petzer - Director

Date: 25/07/2019

Blue Square House
Priors Way
Maidenhead
United Kingdom
SL6 2HP

Pulsant Parent Limited

Directors' Responsibilities Statement For The Year Ended 31 December 2018

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 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 Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Pulsant Parent Limited

Independent Auditor's report to the members of Pulsant Parent Limited

In our opinion the financial statements:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of its results for the year then ended;
- the Group and Parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 *"The Financial Reporting Standard applicable in the UK and Republic of Ireland"*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Pulsant Parent Limited (the 'Parent Company') and its subsidiaries (the 'Group') which comprise:

- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Parent Company Balance Sheets;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the Consolidated Cash Flow Statement; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in the preparation of the group and parent company financial statement is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *"The Financial Reporting Standard applicable in the UK and Republic of Ireland"* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Pulsant Parent Limited

Independent Auditor's report to the members of Pulsant Parent Limited (continued)

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

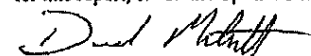
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



David Mitchell CA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Glasgow
United Kingdom

Date: 25/07/19

Pulsant Parent Limited

**Consolidated Statement of Comprehensive Income
For The Year Ended 31 December 2018**

		2018	as restated
	Notes	£'000	2017
			£'000
Turnover	3	83,317	80,615
Cost of sales		(62,124)	(58,509)
Gross profit		21,193	22,106
Administrative expenses		(37,750)	(38,585)
Exceptional expenses	4	(2,578)	(1,177)
Total administrative expenses		(40,328)	(39,762)
Operating loss	4	(19,135)	(17,656)
Other income		-	72
Interest payable and similar expenses	5	(10,278)	(12,130)
Fair value (loss) / gains on interest rate swaps	20	(235)	899
Loss before taxation		(29,648)	(28,815)
Tax on loss	7	2,540	3,297
Loss for the financial year and total comprehensive loss		(27,108)	(25,518)

The accompanying notes on pages 19 to 39 form an integral part of these financial statements.

The results for the current year and prior have been derived from wholly continuing activities. There have been no gains and losses than those presented above.

Pulsant Parent Limited

**Consolidated Balance Sheet
As at 31 December 2018**

		2018	as restated
	Notes	£'000	2017
			£'000
Fixed assets			
Intangible assets	10	154,756	179,195
Tangible assets	11	34,942	41,698
		<u>189,698</u>	<u>220,893</u>
Current assets			
Stocks		16	70
Debtors	13	15,504	13,135
Cash at bank and in hand		3,487	2,629
		<u>19,007</u>	<u>15,834</u>
Creditors			
Amounts falling due within one year	14	(14,488)	(22,253)
Net current assets / (liabilities)		<u>4,519</u>	<u>(6,419)</u>
Total assets less current liabilities		<u>194,217</u>	<u>214,474</u>
Deferred income	17	(11,864)	(12,077)
Deferred tax liability	16	(7,426)	(9,999)
Provision for liabilities		(240)	(568)
Net assets		<u>174,687</u>	<u>191,830</u>
Creditors: Amounts falling due after more than one year	15	(133,474)	(123,509)
Net assets		<u>41,213</u>	<u>68,321</u>
Capital and reserves			
Called up share capital	18	143,614	143,614
Profit and loss account		(102,401)	(75,293)
Shareholders' funds		<u>41,213</u>	<u>68,321</u>

The accompanying notes on pages 19 to 39 form an integral part of these financial statements.

The financial statements of Pulsant Parent Limited (Company Registration No. 09075228) were approved by the Board of Directors and authorised for issue on25 July 2019.....

They were signed on its behalf by:


.....
Bradley Petzer - Director

Pulsant Parent Limited

**Company Balance Sheet
As at 31 December 2018**

	Notes	2018 £'000	2017 £'000
Fixed assets			
Investments	12	143,614	143,614
Total assets less current liabilities		<u>143,614</u>	<u>143,614</u>
Capital and reserves			
Called up share capital	18	143,614	143,614
Shareholders' funds		<u>143,614</u>	<u>143,614</u>

The accompanying notes on pages 19 to 39 form an integral part of these financial statements

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the company is not presented as part of these financial statements. The company's result for the year, determined in accordance with the Act was a result after tax of £nil (2017: £nil).

The financial statements of Pulsant Parent Limited (Company Registered No. 09075228) were approved by the Board of Directors and authorised for issue on 25 July 2019.

They were signed on its behalf by:


.....
Bradley Petzer - Director

Pulsant Parent Limited

**Consolidated Statement of Changes in Equity
For The Year Ended 31 December 2018**

	Called-up share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2017	143,614	(49,775)	93,839
Loss for the financial year and total comprehensive loss	-	(24,784)	(24,784)
Balance at 31 December 2017	<u>143,614</u>	<u>(74,559)</u>	<u>69,055</u>
Prior year adjustment			
Loss for the financial year and total comprehensive loss	-	(734)	(734)
Balance at 31 December 2017 as restated	<u>143,614</u>	<u>(75,293)</u>	<u>68,321</u>
Total comprehensive loss	-	(27,108)	(27,108)
Balance at 31 December 2018	<u>143,614</u>	<u>(102,401)</u>	<u>41,213</u>

The position as at 31 December 2017 has been restated, refer to note 25.

The accompanying notes on pages 19 to 39 form an integral part of these financial statements.

Pulsant Parent Limited

**Company Statement of Changes in Equity
For The Year Ended 31 December 2018**

	Called-up share capital £'000	Profit and loss account £'000	Total £'000
<i>Balance at 1 January 2017</i>	143,614	-	143,614
Result for the financial year	-	-	-
Balance at 31 December 2017	143,614	-	143,614
Result for the financial year	-	-	-
Balance at 31 December 2018	143,614	-	143,614

The accompanying notes on pages 19 to 39 form an integral part of these financial statements.

Pulsant Parent Limited

**Consolidated Cash Flow Statement
for the Year Ended 31 December 2018**

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
Cash generated from operations	22	15,014	16,659
Net cash flows from operating activities		<u>15,014</u>	<u>16,659</u>
Cash flows from investing activities			
Purchase to acquire tangible fixed assets		(5,100)	(7,149)
Purchase to acquire intangible assets		(141)	-
Acquisition of subsidiary (net of cash acquired)		-	(1,777)
Net cash flows from investing activities		<u>(5,241)</u>	<u>(8,926)</u>
Cash flows from financing activities			
New loans raised		135,000	5,000
Repayments of borrowings		(132,465)	(4,793)
Interest paid		(8,920)	(7,359)
Capital element of hire purchase contract		(504)	(557)
Fees associated with financing		(2,030)	(2,317)
Net cash flows from financing activities		<u>(8,919)</u>	<u>(10,026)</u>
Net increase / (decrease) in cash and cash equivalents		<u>854</u>	<u>(2,293)</u>
Cash and cash equivalents at beginning of year		<u>2,633</u>	<u>4,926</u>
Cash and cash equivalents at end of year		<u><u>3,487</u></u>	<u><u>2,633</u></u>

Pulsant Parent Limited

Notes to the Consolidated Financial Statements For The Year Ended 31 December 2018

1. Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding period.

a. General information and basis of accounting

Pulsant Parent Limited is a private company limited by shares registered in England and Wales, incorporated in the United Kingdom under the Companies Act (Company Registration No. 09075228). The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the Strategic report on pages 2 to 6.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Pulsant Parent Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates. The consolidated financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

Pulsant Parent Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in these separate company financial statements in relation to financial instruments and presentation of a cash flow statement.

For the year ended 31 December 2018 the following subsidiaries of the Company were entitled to exemption from audit under s479A of the Companies Act 2006 relating to subsidiary companies.

<i>Subsidiary Name</i>	<i>Companies House Registration Number</i>
Business Continuity Centres Limited	04834297
Databanx Limited	04759836
Campbell Lee Computer Services Limited	SC062818
LayerV Ltd	08783277
Campbell Lee Limited	SC145587
LayerV Holdings Limited	10790867

b. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings for the year ended 31 December 2018. The results of subsidiaries acquired are consolidated from the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Pulsant Parent Limited

**Notes to the Consolidated Financial Statements (continued)
For The Year Ended 31 December 2018**

1. Accounting Policies (continued)

c. Going concern

The Directors, in their consideration of whether the Group is a going concern, have reviewed the Group's future cash forecasts and revenue projections from 1 January 2019 to 31 December 2021, which have been prepared on the basis of market knowledge, past experience and current trading conditions.

The banking facilities are provided on a group wide basis and following the successful refinancing of all existing bank debt in May 2018 the directors are of the opinion that the company and the group's forecasts and revenue projections, taking account of reasonable possible changes in trading performance, show that the company and the group should be able to operate within its current facilities. The Directors are mindful that the company and the group's management team has a strong focus on liquidity and cash flow management and that it is currently financed through term loan facilities committed to 2023.

Having assessed the responses of the Directors of Pulsant Group Holdings Limited to their enquiries and based on the forecast and projections, the Groups committed debt position and the projected cash generation from trading, the Directors continue to adopt the going concern basis in preparing the financial statements.

d. Intangible assets

Goodwill arising on acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its estimated useful economic life, which is 10 years. Provision is made for any impairment when identified.

Customer relationships are recognised at fair value of the identifiable assets and written off on a straight line basis over its estimated useful economic life, which is 10 years. Provision is made for any impairment when identified.

e. Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided so as to write off the cost of tangible fixed assets in equal instalments over the estimated useful economic lives of the assets. The annual rates of depreciation are as follows:

Computer equipment	25% straight-line
Fixtures, fittings & equipment	25% straight-line
Property fit out costs	7% - 10% straight-line
Buildings	2% straight line

Land is not depreciated.

f. Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

Pulsant Parent Limited

**Notes to the Consolidated Financial Statements (continued)
For The Year Ended 31 December 2018**

1. Accounting Policies (continued)

g. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

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

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.

(b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(c) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.

(d) There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

Debt instruments that are classified as payable or receivable within one year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Pulsant Parent Limited

Notes to the Consolidated Financial Statements (continued) For The Year Ended 31 December 2018

1. Accounting Policies (continued)

g. Financial instruments (continued)

Financial assets and liabilities (continued)

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

h. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax.

Pulsant Parent Limited

**Notes to the Consolidated Financial Statements (continued)
For The Year Ended 31 December 2018**

1. Accounting Policies (continued)

h. Taxation - continued

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries except where the Group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

i. Revenue recognition

Services - revenue from colocation, cloud, managed hosting services, managed networks and other services is recognised on a straight line basis over the contract term.

Non-refundable set up fees - revenue generated from setting up customers at the incorporation of new or improved services is recognised on the date the service commences.

To the extent that invoices are raised to a different pattern from the dates of the recognition of revenues described above, appropriate adjustments are made through deferred or accrued income.

Professional services - revenue from consultancy services is recognised based on work completed.

j. Employee benefits

The Group operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the Statement Of Comprehensive Income in the year they are payable.

k. Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the Statement of comprehensive income over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Pulsant Parent Limited

Notes to the Consolidated Financial Statements (continued) For The Year Ended 31 December 2018

1. Accounting Policies (continued)

L. Acquisitions

On the acquisition of a business, fair values are attributed to the net separable assets acquired. Where the cost of acquisition exceeds the fair values attributed to such net assets, the difference is treated as purchased goodwill and capitalised in the balance sheet in the year of acquisition. The results relating to a business are included in the Consolidated statement of comprehensive income from the date of acquisition.

m. Exceptional items

Exceptional items, as disclosed on the face of the statement of comprehensive income, are items which due to their materiality and non-recurring nature have been classified separately in order to draw them to the attention of the reader of the financial statements and to highlight the impact of exceptional items on the results of the Group.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised 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.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. In the view of the directors, there are no key sources of estimation that effect on the amounts recognised in the financial statements.

Assessing goodwill, intangible assets and fixed assets for impairment

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Management consider each period whether there is any indication of impairment in relation to goodwill, intangible assets and fixed assets. No such indicators have been identified in the current or prior period. As these assets are amortised/depreciated (rather than having an indefinite useful life), there is no requirement to perform a full impairment review unless such indicators exist.

There are no key sources of estimation uncertainty in view of the directors.

3. Turnover

Turnover represents amounts derived from the provision of managed hosted IT services in which fall within the Group's ordinary activities after deduction of trade discounts and value added tax.

	2018	2017
	£'000	£'000
Services	77,462	74,942
Non-refundable setup fees	2,288	2,756
Professional services	3,567	2,917
	<u>83,317</u>	<u>80,615</u>

Turnover for the Group activities relates wholly to sales made in the United Kingdom.

Pulsant Parent Limited

Notes to the Consolidated Financial Statements (continued)
For The Year Ended 31 December 2018

4. Loss before taxation

Loss before taxation is stated after charging:

	2018	2017
	£'000	£'000
<i>Depreciation of tangible fixed assets (note 11)</i>		
- owned assets	11,546	11,064
- leased assets	310	509
Amortisation of intangible assets (note 10)	24,580	24,691
Rentals under operating leases	3,205	2,922
Exceptional items - non-recurring integration and restructuring costs	<u>2,578</u>	<u>1,177</u>

Exceptional items in the current and prior year relate to non-recurring integration and restructuring costs and non-recurring professional fees.

Amortisation of intangible assets are included within administrative expenses.

The analysis of auditor's remuneration is as follows:

	2018	2017
	£'000	£'000
Fees payable to the company's auditor for the audit of the company's annual financial statements	7	7
Fees payable to the company's auditor for other audit services to the group		
- The audit of the company's subsidiaries pursuant to legislation	<u>161</u>	<u>189</u>
Total audit fees	<u>168</u>	<u>196</u>
- Taxation compliance services	166	74
- Other taxation advisory services	-	99
- Other services	23	30
- Corporate finance services	<u>92</u>	<u>197</u>
Total non-audit fees	<u>281</u>	<u>400</u>

All non-audit services were approved by the Board of Directors. The tax services performed during the period relate to the provision of corporate tax compliance across the Group.

Pulsant Parent Limited

Notes to the Consolidated Financial Statements (continued)
For The Year Ended 31 December 2018

5. Interest payable and similar expenses

	2018	2017
	£'000	£'000
Interest payable and similar expenses	10,278	12,130
	<u>10,278</u>	<u>12,130</u>
Interest payable and similar expenses	2018	2017
	£'000	£'000
Bank loan interest	8,931	8,133
Interest on amounts owed to group undertakings	73	72
Swap interest	82	688
Asset finance interest	32	57
Amortisation of finance costs	668	863
Fees associated with financing	492	2,317
	<u>10,278</u>	<u>12,130</u>

6. Information regarding directors and employees

The highest paid director received emoluments of £301,789 (2017: £327,214) and pension contributions of £10,105 (2017: £6,167) in respect of services to the Group. N Sanfridsson and B Petzer are also directors of Pulsant Acquisitions Limited, M Howling and G MacKenzie resigned in the prior year. The two directors received total remuneration of £582,671 (2017 four directors: £592,587) from Pulsant Acquisitions Limited, but it is not practicable to allocate this between their services as directors of Pulsant Acquisitions Limited and Pulsant Parent Limited.

Directors' remuneration in the current and prior year was borne by another group undertaking.

	2018	2017
The average monthly number of employees (including executive directors) was:		
Technical	283	290
Sales and distribution	58	60
Administration	37	41
	<u>378</u>	<u>391</u>

Pulsant Parent Limited

Notes to the Consolidated Financial Statements (continued)
For The Year Ended 31 December 2018

6. Information regarding directors and employees (continued)

There were no pension scheme contributions outstanding at the balance sheet date.

	2018	2017
	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	19,254	18,142
Social security costs	2,012	1,935
Other pension costs	550	600
	<u>21,816</u>	<u>20,677</u>

7. Tax on loss

	2018	as restated
	£'000	2017
		£'000
The tax credit comprises:		
Current tax on loss:		
UK corporation tax	(14)	(57)
Adjustment in respect of previous periods	43	(254)
Total current tax charge / (credit)	<u>29</u>	<u>(311)</u>
Deferred taxation (note 16)		
- Origination and reversal of timing differences	(2,605)	(2,332)
- Adjustments in respect of previous periods	(77)	(478)
- Effect of change in tax rate	113	(176)
Total deferred tax	<u>(2,569)</u>	<u>(2,986)</u>
Tax on loss	<u>(2,540)</u>	<u>(3,297)</u>

The average UK corporation tax rate for the year was 19%.

The UK corporation tax rate will reduce from 19% to 17% from 1 April 2020. This change has been substantively enacted at the balance sheet date and, therefore the deferred tax assets and liabilities at 31 December 2018 have been measured using the rates that apply in the periods when the underlying timing differences, on which deferred tax is recognised, are expected to unwind.

Pulsant Parent Limited

Notes to the Consolidated Financial Statements (continued)
For The Year Ended 31 December 2018

7. Tax on loss (continued)

The difference between the total tax shown above and the amount calculated by applying standard rate of UK Corporation Tax to the loss before tax is as follows:

	2018 £'000	as restated 2017 £'000
Group loss before taxation	<u>(29,648)</u>	<u>(28,815)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	(5,633)	(5,547)
<i>Effects of:</i>		
- Expenses not deductible for tax purposes	3,039	3,200
- Adjustment from previous periods	(25)	(732)
- Non-taxable income	-	(21)
- Effect of group relief	(34)	(43)
- Tax rate changes	113	(154)
Group total tax credit for year	<u><u>(2,540)</u></u>	<u><u>(3,297)</u></u>

8. Statement of Comprehensive Income

As permitted by Section 408 of the Companies Act 2006, The Statement of Comprehensive Income of the company is not presented as part of these financial statements. The company's result for the year, determined in accordance with the Act was a result after tax of £nil (2017: £nil).

9. Dividends

No dividend was paid or approved during the year (2017: £nil).

Pulsant Parent Limited

Notes to the Consolidated Financial Statements (continued)
For The Year Ended 31 December 2018

10. Intangible fixed assets

Group

	Goodwill	Customer	Total
	£'000	relationships	£'000
		£'000	
Cost			
At 1 January 2018	170,264	83,717	253,981
Additions	141	-	141
At 31 December 2018	170,405	83,717	254,122
Amortisation			
At 1 January 2018	50,735	24,051	74,786
Charge for the year	16,208	8,372	24,580
At 31 December 2018	66,943	32,423	99,366
Net book value			
At 31 December 2018	103,462	51,294	154,756
At 31 December 2017	119,529	59,666	179,195

Customer relationships and goodwill arising on acquisition in 2014 are considered material to the group. The carrying amounts as at 31 December 2018 were £31.2m and £71.7m respectively (2017: customer relationships: £36.9m, goodwill: £84.4m) and has an estimated remaining useful life of 5.5 years.

Customer relationships and goodwill arising on acquisition in 2016 are considered material to the group. The carrying amounts as at 31 December 2018 were £19.6m and £29.7m respectively (2017: customer relationships: £22.2m, goodwill: £32.8m) and has an estimated remaining useful life of 8.5 years.

Customer relationships and goodwill arising on acquisition in 2017 are considered material to the group. The carrying amounts as at 31 December 2018 were £0.5m and £2m respectively (2017: customer relationships: £0.6m, goodwill: £2.3m) and has an estimated remaining useful life of 8.5 years.

Pulsant Parent Limited

Notes to the Consolidated Financial Statements (continued)
For The Year Ended 31 December 2018

11. Tangible fixed assets

Group

	Land and buildings £'000	Computer equipment £'000	Property fit out costs £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost					
At 1 January 2018	8,062	31,354	54,514	1,190	95,120
Additions	-	3,250	1,382	468	5,100
At 31 December 2018	<u>8,062</u>	<u>34,604</u>	<u>55,896</u>	<u>1,658</u>	<u>100,220</u>
Depreciation					
At 1 January 2018	2,065	16,913	33,379	1,065	53,422
Charge for the year	382	5,850	5,457	167	11,856
At 31 December 2018	<u>2,447</u>	<u>22,763</u>	<u>38,836</u>	<u>1,232</u>	<u>65,278</u>
Net book value					
At 31 December 2018	<u>5,615</u>	<u>11,841</u>	<u>17,060</u>	<u>426</u>	<u>34,942</u>
At 31 December 2017	<u>5,997</u>	<u>14,441</u>	<u>21,135</u>	<u>125</u>	<u>41,698</u>

Included within the net book value of Computer equipment is £304k (2017: £614k) relating to assets held under finance leases. The depreciation charged in the year in respect of such assets amounted to £310k (2017: £509k).

Pulsant Parent Limited

Notes to the Consolidated Financial Statements (continued)
For The Year Ended 31 December 2018

12. Fixed asset investments

Company

	Shares in group undertakings £'000
Cost	
At 1 January 2018 and 31 December 2018	143,614
Net book value	
At 31 December 2017 and 31 December 2018	143,614

The following information relates to the subsidiary undertakings:

Name of company	Country of incorporation	Proportion of nominal value of issued share capital held	Principal activity	Registered address
Pulsant Group Limited	UK	100%	Intermediate holding company	**
Pulsant Parent Limited*	UK	100%	Intermediate holding company	**
Pulsant Acquisitions Limited*	UK	100%	Intermediate holding company	**
Pulsant Topco Limited*	UK	100%	Intermediate holding company	**
Pulsant Midco 1 Limited*	UK	100%	Intermediate holding company	**
Pulsant Midco 2 Limited*	UK	100%	Intermediate holding company	**
Pulsant Bidco Limited*	UK	100%	Intermediate holding company	**
Edinburgh Network Technologies Limited*	UK	100%	Intermediate holding company	***
Pulsant (Scotland) Limited*	UK	100%	Dormant	***
Lumison Limited*	UK	100%	Dormant	***
Pulsant Intermediate Limited*	UK	100%	Intermediate holding company	**
Pulsant Facilities Limited*	UK	100%	Dormant	**
Pulsant Data MK Limited*	UK	100%	Dormant	**
Mew Property Limited*	UK	100%	Property	**
Pulsant Shared Services Limited*	UK	100%	Dormant	**
Pulsant Data Services Limited*	UK	100%	Dormant	**
Bluesquare Data Services Limited*	UK	100%	Dormant	**
Bluesquare Data MK Limited*	UK	100%	Dormant	**
Pulsant Limited*	UK	100%	Data Centre Services	**
Dedipower Managed Hosting Limited*	UK	100%	Dormant	**

Pulsant Parent Limited

Notes to the Consolidated Financial Statements (continued)
For The Year Ended 31 December 2018

12. Fixed asset investments (continued)

Dedipower Asia Limited*	Hong Kong	100%	Data Centre Services	16/F Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong
Pulsant Inc*	UK	100%	Data Centre Services	1209 Orange Street, Wilmington, New Castle, Delaware 19801 USA
Scolocate (Holdings) Limited*	UK	100%	Intermediate holding company	***
Pulsant (South Gyle) Limited*	UK	100%	Data Centre Services	***
Scolocate Limited*	UK	100%	Dormant	***
Onyx Information Technology Holdings Limited*	UK	100%	Intermediate holding company	**
Onyx Trustees Limited*	UK	100%	Employment Benefit Trust	**
Onyx Group Limited*	UK	100%	Intermediate holding company	**
Knowledge Limited*	UK	100%	Data Centre Services	**
Business Continuity Centres Limited*	UK	100%	Data Centre Services	**
Yorkshire Data Centres Limited*	UK	100%	Dormant	**
Onyx Internet Limited*	UK	100%	Data Centre Services	**
Databanx Limited*	UK	100%	Data Centre Services	**
Campbell Lee Limited*	UK	100%	Intermediate holding company	****
Campbell Lee Computer Services Limited*	UK	100%	Data Centre Services	****
LayerV Holdings Limited*	UK	100%	Intermediate holding company	**
LayerV Ltd*	UK	100%	Cloud services	**
UAB LayerV LT*	Lithuania	100%	Cloud services	Vilnius m. sav. Vilnius m. Liejklos g. 3

Pulsant Parent Limited

Notes to the Consolidated Financial Statements (continued)
For The Year Ended 31 December 2018

12. Fixed asset investments (continued)

The directors have elected to take advantage of the exemption from audit under s.479A of the Companies Act in respect the following entities:

Name of company	Country of incorporation	Proportion of nominal value of issued share capital held	Principal activity	Registered address
Databanx Limited*	UK	100%	Dormant	**
Business Continuity Centres Limited*	UK	100%	Dormant	**
LayerV Ltd*	UK	100%	Cloud services	**
Campbell Lee Computer Services Limited*	UK	100%	Dormant	***
Campbell Lee Limited*	UK	100%	Intermediate holding company	***
LayerV Holdings Limited*	UK	100%	Intermediate holding company	**

* Held indirectly

** Blue Square House, Priors Way, Maidenhead, SL6 2HP

*** Sirius House, The Clocktower, Flassches Yard, Edinburgh, EH12 9LB

All subsidiary undertakings noted above have been included within these consolidated accounts.

13. Debtors: amounts falling due within one year

	Group	
	2018	2017
	£'000	£'000
Trade debtors	8,385	7,036
Other debtors	1,193	970
Corporation tax recoverable	380	100
Prepayments and accrued income	5,546	5,029
	<u>15,504</u>	<u>13,135</u>

14. Creditors: amounts falling due within one year

	Group as restated	
	2018	2017
	£'000	£'000
Trade creditors	4,118	5,801
Amounts owed to group undertakings	1,377	1,308
Bank loans (note 19)	-	6,826
Other creditors and accruals	6,851	5,787
Taxation and social security	1,843	1,775
Financial leases (note 21)	299	756
	<u>14,488</u>	<u>22,253</u>

Amounts owed to group undertakings are repayable on demand and accrue interest at a rate of 5%.

Pulsant Parent Limited

Notes to the Consolidated Financial Statements (continued)
For The Year Ended 31 December 2018

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

	Group	
	2018	2017
	£'000	£'000
Bank loans (see note 19)	133,234	123,458
Finance leases (note 21)	5	51
Derivative financial instruments (see note 20)	235	-
	<u>133,474</u>	<u>123,509</u>

16. Deferred tax

	Group	
	2018	as restated 2017
	£'000	£'000
Deferred tax liability		
On 1 January 2018	(9,999)	(12,868)
Acquired	-	(117)
Deferred tax credit in the year (note 7)	2,569	2,986
Prior period adjustment	4	-
At 31 December 2018	<u>(7,426)</u>	<u>(9,999)</u>

The amounts of deferred taxation recognised are as follows:

	2018	as restated 2017
	£'000	£'000
Accelerated capital allowances	1,316	308
Short-term timing differences	16	34
Intangible fixed assets	(8,929)	(10,520)
Non trading timing differences	78	50
Losses	93	129
	<u>(7,426)</u>	<u>(9,999)</u>

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Company.

Pulsant Parent Limited

Notes to the Consolidated Financial Statements (continued)
For The Year Ended 31 December 2018

17. Deferred income

	Group	
	2018	2017
	£'000	£'000
Balance at 1 January 2018	12,077	13,454
Decrease in deferred income in the year	(213)	(1,377)
Balance as at 31 December 2018	<u>11,864</u>	<u>12,077</u>

Deferred income is presented separately on the balance sheet as the directors consider this to reflect the group's commitments in a true and fair view.

18. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2018	2017
			£'000	£'000
143,613,028	Ordinary shares	£1.00 each	<u>143,614</u>	<u>143,614</u>

The main rights attaching to the shares are as follows:

Dividend shall be paid to the ordinary shareholders (pari passu) in proportion to the amounts paid up on the shares held.

On a return of assets, whether in a winding-up or reduction in capital or otherwise, the assets and retained profits of the Company available for distribution among the members shall be applied in distributing such assets and retained profits amongst the ordinary shareholders (pari passu) in proportion to the amounts paid up on the shares held.

Ordinary shares shall have one vote for every ordinary share held.

19. Borrowings

	Group	
	2018	2017
	£'000	£'000
Bank loans	<u>133,234</u>	<u>130,284</u>

The bank loans and loan notes are repayable as follows:

Group - 2018

	Bank loans
	£'000
Within one year	-
Between one and two years	-
Between two and five years	135,000
After more than five years	-
	<u>135,000</u>
Issue costs	(1,766)
	<u>(133,234)</u>

Pulsant Parent Limited

Notes to the Consolidated Financial Statements (continued)
For The Year Ended 31 December 2018

19. Borrowings (continued)

Group - 2017

	Bank loans £'000
Within one year	6,826
Between one and two years	6,626
Between two and five years	117,263
After more than five years	-
	<hr/>
	130,715
Issue costs	(431)
	<hr/>
	<u>130,284</u>

The bank loans are secured by fixed and floating charges on the assets of the Group.

On 31 May 2018 the Group completed a refinancing of all existing bank debt as a result of which all bank loans listed above were repaid in full.

Under the new financing arrangement the senior debt consists of £135,000,000 repayable in May 2023 and carries interest at 5.25% above LIBOR.

There is also a revolving credit facility of £10,000,000 which has not been drawn down and which is repayable in May 2023 and carries interest at 5.25% above LIBOR.

20. Financial instruments

The Group use interest rate swaps to manage its exposure to interest rate movements on its bank and institutional borrowings. Contracts with nominal values of £90,000,000 (2017: £nil) fix interest on variable rate debts at an average rate of 1.349% (2017: nil) for periods up until 2018.

The fair values of interest rate swaps are determined using market values of equivalent instruments at the Statement of Financial Position date.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

	31 December 2018		31 December 2017	
Maturity date	Notional value £'000	Fair value (liability) £'000	Notional value £'000	Fair value (liability) £'000
Within one year	-	-	-	-
Two to five years	90,000	(235)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	90,000	(235)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

The movement in fair values loss of £235,291 is shown on the face of the Statement of Comprehensive Income (2017: gain of £899,000).

Pulsant Parent Limited

Notes to the Consolidated Financial Statements (continued)
For The Year Ended 31 December 2018

21. Commitments and other contractual obligations

Commitments under finance leases

Capital commitments are as follows:

	2018	2017
	£'000	£'000
Within one year	299	756
Between one and five years	5	51
	<u>304</u>	<u>807</u>

Future minimum lease payments on finance leases are as follows:

	2018	2017
	£'000	£'000
Within one year	331	513
Between one and five years	5	303
	<u>336</u>	<u>816</u>

Commitments under operating leases

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings	
	2018	2017
	£'000	£'000
Within one year	3,024	12
Between one and five years	9,293	1,093
More than five years	10,711	19,063
	<u>23,028</u>	<u>20,168</u>

Pulsant Parent Limited

Notes to the Consolidated Financial Statements (continued)
For The Year Ended 31 December 2018

22. Reconciliation of operating cash to net cashflow from operating activities

		as restated
	2018	2017
	£'000	£'000
Operating loss	(19,135)	(17,656)
Depreciation charges	11,856	11,573
Amortisation charges	24,580	24,691
Decrease in trade and other provisions	-	(3,667)
Fees associated with finance	1,160	2,317
Decrease/(increase) in stocks	54	(70)
Increase in trade and other debtors	(2,089)	(1,905)
(Decrease)/increase in trade and other creditors	(1,086)	1,376
Tax paid	(326)	-
Cash generated from operations	<u>15,014</u>	<u>16,659</u>

23. Related party transactions

Fees totalling £59,000 (relating to out of pocket expenses) were charged by Oak Hill Capital Management LLC, who are connected to the ultimate controlling party OHCP MGP III Limited, (2017: £40,000). £37,695 were accrued at 31 December 2018 (2017: £18,662).

The remuneration for key management personnel for the year totalled £970,878 (2017: £1,601,000).

24. Immediate and ultimate parent undertakings

The ultimate controlling party is OHCP MGP III Limited (registered office address c/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005 Cayman Islands). The smallest and largest UK group which the results of this company are consolidated is that headed by Pulsant Group Holdings Limited the (registered office address Blue Square House, Priors Way, Maidenhead, SL6 2HP), who is also the immediate parent company of Pulsant Parent Limited.

Pulsant Parent Limited

Notes to the Consolidated Financial Statements (continued)
For The Year Ended 31 December 2018

25. Prior year adjustment

The prior year financial statements have been restated to correctly record a provision for software licenses, through an increase amounting to £884k and the resultant tax effect of £150k.

The impact on the lines affected in the Statement of Comprehensive Income as well as the overall loss for the financial year is shown below:

	Previously reported £'000	Adjustment £'000	Restated £'000
Cost of sales	57,625	884	58,509
Tax	(3,147)	(150)	(3,297)
Loss for the financial year	54,478	734	55,212

The impact on the lines affected in the Balance Sheet are shown below:

	Previously reported £'000	Adjustment £'000	Restated £'000
Other creditors and accruals	4,903	884	5,787
Deferred tax	10,149	(150)	9,999
Profit and loss account	74,559	734	75,293

The Group were informed towards the end of 2017 that a software supplier to the Group would conduct an audit into the Group's application of their licensing agreement. The audit would cover the period from October 2016 to September 2018.

As at 31 December 2018 management had provided £1,435,000 in relation to this matter. This audit was completed on 17 June 2019, after a protracted audit process, which concluded that the Group had under-declared licenses for the two years of the audit period to the value of £1,827,000 (£392,000 above the amount provided at the year end). The audit culminated in the Group entering into a settlement agreement with the software vendor for this value, which was settled prior to the date of these financial statements.

Due to the complexity of the licensing regime, the Group had misapplied some of the rules, which is a common phenomenon in the industry in which the Group operates. This resulted in the Group not accurately declaring all of the licences used on their platforms. Of the total under declaration, £884,000 related to 2016 & 2017 and the Group has concluded that the charges for these years should be treated as an adjustment to the prior year financial statements on the grounds that the underlying trading performance of the Group would be materially misstated if this treatment was not applied.

The Group now has an accurate understanding of the correct application of the various software licenses it deploys, and it has implemented new processes and procedures to ensure that it remains compliant with the licensing agreement.