

Company Registration Number FC034655

HALO TECHNOLOGY LIMITED

Report and Consolidated Financial Statements

Year ended 31 March 2019



HALO TECHNOLOGY LIMITED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

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HALO TECHNOLOGY LIMITED

CORPORATE INFORMATION

DIRECTORS

A Aguirre
S Krzywicki
J Ma
A Majumdar
M McCormick
R Sweet

SECRETARY

A Jeremiah

REGISTERED OFFICE

De Catapan House,
Grange Road,
St Peter Port,
Guernsey
GY1 2QG

BANKER

Royal Bank of Scotland International Limited
Royal Bank Place
1 Glatigny Esplanade
St Peter Port
Guernsey
GY1 4BQ

SOLICITOR

Goodwin Procter (UK) LLP
100 Chancery Lane
London
United Kingdom
EC2V 6DY

AUDITOR

BDO LLP
Level 12
Thames Tower
Station Road
Reading
United Kingdom
RG1 1LX

HALO TECHNOLOGY LIMITED

DIRECTORS' REPORT

The directors present their report together with the audited consolidated financial statements for the year ended 31 March 2019. Comparative figures are shown for the 292 day period ending 31 March 2018, from the date the Company was incorporated. The consolidated financial statements have been prepared on the basis set out in note 1 to the financial statements. The company is incorporated in Guernsey.

PRINCIPAL ACTIVITY

The company is a holding company of the Halo group of companies whose principle activities are the provision of high-quality network and connectivity products that are compatible with leading Original Equipment Manufacturers (OEMs).

Halo is challenging OEM dominance with superior products and service. Customers can make significant cost savings against the major networking vendors with no loss of quality or reliability, backed by extensive warranties and first class support.

DIRECTORS

The directors who held office during the period were:

A Aguirre	(appointed 19 April 2018)
J D'Esopo	(resigned 11 January 2019)
C Green	(resigned 8 June 2018)
S Holness	(resigned 15 April 2018)
S Krzywicki	(appointed 21 September 2018)
J Ma	
A Majumdar	
M McCormick	
R Sweet	

DIVIDENDS

No ordinary dividends were paid to the shareholders of the group in respect of the current period (2018: \$nil).

No final dividend is proposed for the year ended 31 March 2019 (2018: \$nil).

GOING CONCERN

After reviewing the group's and company's forecasts and projections, the directors have a reasonable expectation that the group and company have adequate resources to continue in operational existence for the foreseeable future. Whilst the group has moved to a net liability position, the cash amounts held remain high and the Directors believe that cash reserve and future operating cash flows will be sufficient to continue as a going concern. The group and company therefore continue to adopt the going concern basis in preparing these financial statements.

RE-APPOINTMENT OF AUDITORS

The auditors will be deemed to be reappointed and BDO LLP will therefore continue in office.

HALO TECHNOLOGY LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period and in accordance with applicable laws. In preparing these financial statements the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and company and which enable them to ensure that the financial statements have been properly prepared in accordance with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware, having taken all steps the directors ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.



S Krzywicki
Director
29 July 2019

HALO TECHNOLOGY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALO TECHNOLOGY LIMITED

Opinion

We have audited the financial statements of Halo Technology Limited ("the parent company") and its subsidiaries (together "the group") for the year ended 31 March 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

HALO TECHNOLOGY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALO TECHNOLOGY LIMITED (Continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the parent company; or
- the parent company financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

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 determines 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 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 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: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.



BDO LLP
Chartered Accountants
Reading, UK
29 July 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

HALO TECHNOLOGY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME Year ended 31 March 2019

		Year Ended 2019 \$000	Restated 292 Day Period Ended 2018 \$000
	Note		
TURNOVER		83,594	41,863
Cost of Sales		(32,727)	(16,514)
GROSS PROFIT		50,867	25,349
Distribution costs		(1,474)	(657)
Administrative expenses		(43,145)	(27,885)
Operating profit/(loss) before exceptional items		6,997	(858)
Exceptional items	6	(749)	(2,335)
OPERATING PROFIT/(LOSS)	4	6,248	(3,193)
Interest receivable and similar income	7	41	20
Interest payable and similar charges	8	(9,422)	(4,011)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,133)	(7,184)
Tax on loss on ordinary activities	9	(1,442)	(484)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(4,575)	(7,668)
Foreign exchange on retranslation		-	(2,206)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL PERIOD		(4,575)	(9,874)

All results, including turnover and operating profit/(loss) in the year has been derived from continuing operations.

The notes on pages 10 to 28 form part of these financial statements.

HALO TECHNOLOGY LIMITED

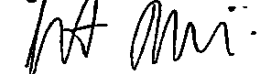
CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 31 March 2019

		Year Ended 2019		Restated Year Ended 2018	
	Note	\$000	\$000	\$000	\$000
FIXED ASSETS					
Intangible assets	11		93,105		103,940
Tangible assets	12		2,887		1,596
			<u>95,992</u>		<u>105,536</u>
LONG TERM DEBTORS					
Deferred tax	20		843		-
CURRENT ASSETS					
Stocks	14	9,920		6,924	
Debtors	15	13,394		8,302	
Cash at bank and in hand		11,756		14,656	
		<u>35,070</u>		<u>29,882</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(10,339)		(12,828)	
NET CURRENT ASSETS			<u>24,731</u>		<u>17,054</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>121,566</u>		<u>122,590</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17		(117,533)		(117,000)
PROVISIONS FOR OTHER LIABILITIES	19		(7,629)		(3,420)
TOTAL NET (LIABILITIES)/ASSETS			<u>(3,596)</u>		<u>2,170</u>
CAPITAL AND RESERVES					
Called up share capital	21		183		271
Share premium			12,316		12,148
Capital redemption reserve			105		4
Profit and loss account			(16,200)		(10,253)
EQUITY ATTRIBUTABLE TO OWNERS OF THE GROUP			<u>(3,596)</u>		<u>2,170</u>

The financial statements of Halo Technology Limited, registered number 63662, were approved by the board of directors and authorised for issue on 29 July 2019.

The notes on pages 10 to 28 form part of these financial statements.

Signed on behalf of the board of directors



S Krzywicki
Director

HALO TECHNOLOGY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 March 2019

		Year Ended 2019 \$000	Restated Period Ended 2018 \$000
Cash flows from operating activities	Note		
Loss for the financial period		(4,575)	(7,668)
Adjustments for:			
Depreciation and amortisation of fixed assets		11,904	5,608
Gain/(loss) on disposal of fixed assets		(3)	68
(Increase) in stocks		(2,996)	(6,924)
(Increase) in trade and other debtors		(6,466)	(8,302)
(Decrease)/increase in trade and other creditors		(320)	12,828
Increase in provisions		3,591	-
Foreign exchange		(4,277)	-
Taxation charge	9	1,442	484
Interest receivable	7	(41)	(20)
Interest payable	8	9,422	4,011
Cash from operations		7,681	85
Taxation paid		(2,461)	(644)
Net cash generated from operating activities		5,220	(559)
Cash flows from investing activities			
Purchases of tangible fixed assets	12	(2,360)	(2,254)
Purchases of subsidiaries (net of cash acquired)		-	(108,556)
Interest received	7	41	20
Net cash used in investing activities		(2,319)	(110,790)
Cash flows from financing activities			
Interest paid		(4,609)	(1,615)
Proceeds from the issue of ordinary share capital		13	274
Proceeds from the issue of share premium		167	12,149
Proceeds from the issue of debt		-	115,576
Repurchase of shares		(1,372)	(379)
Net cash from financing activities		(5,801)	126,005
Net (decrease)/increase in cash equivalents		(2,900)	14,656
Cash and cash equivalents at the beginning of the period		14,656	-
Cash and cash equivalents at the end of the period		11,756	14,656

The notes on pages 10 to 28 form part of these financial statements.

HALO TECHNOLOGY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2019

	Note	Called up Share capital \$000	Share Premium \$000	Capital Redemption Reserve \$000	Profit and Loss Account \$000	Total \$000
At 13 June 2017		-	-	-	-	-
Share capital issued	21	275	12,148	-	-	12,423
Share capital repurchased	21	(4)	-	4	(379)	(379)
Loss for the period		-	-	-	(8,921)	(8,921)
Foreign exchange retranslation		-	-	-	(2,206)	(2,206)
At 31 March 2018		<u>271</u>	<u>12,148</u>	<u>4</u>	<u>(11,506)</u>	<u>917</u>
2018 PYA (note 2)		-	-	-	1,253	1,253
Restated 31 March 2018		<u>271</u>	<u>12,148</u>	<u>4</u>	<u>(10,253)</u>	<u>2,170</u>
Share capital issued	21	13	168	-	-	181
Share capital repurchased	21	(101)	-	101	(1,372)	(1,372)
Loss for the year		-	-	-	(4,575)	(4,575)
At 31 March 2019		<u>183</u>	<u>12,316</u>	<u>105</u>	<u>(16,200)</u>	<u>(3,596)</u>

The notes on pages 10 to 28 form part of these financial statements.

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2019

1. STATUTORY INFORMATION

Halo Technology Limited is a private company limited by shares incorporated in Guernsey under the Companies (Guernsey) Law 2008, registration number 63662. The registered office is De Catapan House, Grange Road, St Peter Port, Guernsey, GY1 2QG.

2. ACCOUNTING POLICIES

The following accounting policies have been applied in the period in dealing with items which are considered material in relation to the group's financial statements.

Basis of preparation of financial statements

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland under historical cost accounting rules.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires the group management to exercise judgement in applying the group's accounting policies, as highlighted in note 3.

Period of account

The results of these financial statements are shown for the year ended 31 March 2019, with prior year comparatives for the 292 day period from incorporation to the year end.

Basis of consolidation

The consolidated financial statements present the results of Halo Technology Limited ("the company") and its subsidiaries; Halo Technology Midco Limited, Halo Technology Bidco Limited, ProLabs Holdings Limited, ProLabs (UK) Limited, Halo Technology Bidco Inc. and Addon Computer Peripherals LLC ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. Acquisition accounting has been used in respect of all business combinations within the group.

The company was incorporated on 13 June 2017.

Prior year adjustments

During the financial year a review was carried out to ensure the deferred tax treatment on intangibles formed on acquisition was correctly reflected within both UK and US tax jurisdictions. As a result of this exercise it was determined that in the prior year accounts the amount of deferred tax liability was overstated in regard to the acquisition of AddOn Computer Peripherals LLC, which led to an equal and opposite over-statement of intangible assets. The prior year adjustments have been reflected within 2018 figures as follows;

- In the income statement a decrease in amortisation of intangibles is present of \$283,000 with an equal and opposite \$283,000 reduction in deferred tax expense in the period. This had no impact on the net profit and loss after taxation for the period.
- In the balance sheet intangibles on acquisition have decreased by \$8,494,000 with a reversal of the period's amortisation of \$283,000, and a decrease in deferred tax liability of \$8,494,000 on acquisition with a reversal of the period's credit in the year of \$283,000.

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2019

2. ACCOUNTING POLICIES (continued)

Prior year adjustments (continued)

In addition, a review of the treatment of transaction costs of prior years' acquisitions was undertaken. In the year ended 31 March 2018 the transactions costs associated with the Barings Bank loan were recognised in full in the income statement (included within exceptional costs). In accordance with FRS 102 section 11 and our accounting policy, financial liabilities should be initially recognised at transaction price including transaction costs. As a result the prior year financial statements have been restated to reverse the expense and capitalise within the carrying value of the loan which will be subsequently measured at amortised cost using the effective interest rate. The impact of this restatement on the prior year has been:

- In the income statement a decrease in exceptional costs \$1,320,000 with an increase of interest costs of \$67,000 for a net profit and loss effect of \$1,253,000 overall,
- In the balance sheet, creditors falling due more than one year decreased by \$1,253,000, with an equal increase in the value of net assets and retained earnings.

These changes have been reflected throughout the supporting notes.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods to third party customers. Turnover is recognised at the time of shipment or delivery depending on the terms and conditions associated with the sale, which is identified as the points the risks and rewards of ownership have passed.

Discounts are recognised net against the revenue on which they are offered, rebates are recognised at the end of each period based on the volume of sales and specific terms with each customer and are held as an offset against trade receivables. Provisions for returns are made when the group is notified of a customer's intention to return a product and accrued at this point in time.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation

Depreciation on tangible fixed assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Short leasehold improvements	Over the life of the lease
Furniture and equipment	3 years
Software	5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the statement of comprehensive income.

Goodwill and intangible assets

Goodwill represents the excess of the cost of a business combination over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life. If a reliable estimate cannot be made, the useful life of goodwill is presumed to be 10 years. Goodwill is being amortised over 10 years.

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2019

2. ACCOUNTING POLICIES (continued)

Goodwill and intangible assets (continued)

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets acquired as part of an acquisition are not recognised where they arise from legal or other contractual rights, and where there is no history of exchange transactions. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

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. All intangible assets are being amortised over 10 years, see note 11 for details.

Impairment of fixed assets and intangible assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Stocks

Stocks are stated at the lower of cost, using the first in first out method, and selling price less costs to complete and sell.

In the previous year the weighted average cost of purchase was used to determine the cost of raw materials, consumables and goods for resale. The accounting policy was changed on 1 April 2018 to align with group undertakings. The impact of the change is immaterial.

At the balance sheet date, inventories are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Cash

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand in so far that a right of set off exists.

Provisions

The company maintains a customer refund and discount provision. This is reviewed at each balance sheet date and adjusted to reflect the current best estimate of the expected liability. The provision is reviewed at each period end and adjusted based on the expected value and probability of any payments being made.

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2019

2. ACCOUNTING POLICIES (continued)

Financial assets

Financial assets, other than derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost using the effective interest rate method.

Finance costs

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

Derivative instruments

The group uses forward foreign currency contracts to reduce exposure to foreign exchange rates, and interest rate hedges to reduce exposure to interest rate movements. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into, and are subsequently measured at fair value through profit and loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of the forward contract is calculated by reference to current exchange rates, and the fair value of the interest rate hedge is calculated by reference to current interest rates.

Foreign currency translation

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US dollars, which is the company's functional and the group's presentational currency.

From the start of the year, all the financial statements of the group's entities are now measured in US Dollars. This was done to align with the functional currency of the group, and recognition that US Dollars was the primary trading currency of these trading entities.

Foreign currency transactions are translated into the group entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders.

Dividends unpaid at the reporting date are only recognised as a liability at that date to the extent they are appropriately authorised and are no longer at the discretion of the group. Unpaid dividends that do not meet these criteria are disclosed in the notes to these financial statements.

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2019

2. ACCOUNTING POLICIES (continued)

Reserves

The group and company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued;
- Share premium reserve represents the amounts above the nominal value received for shares issued;
- Capital redemption reserve represents the nominal value of shares repurchased by the company; and
- Profit and loss account represent cumulative profits or losses, net of dividends paid and other adjustments.

Pension costs

Contributions to the group's defined contribution pension scheme are charged to profit or loss in the period in which they become payable.

Leases

Operating lease rentals are charged to the statement of comprehensive income on a straight-line basis over the lease period.

Exceptional items

Exceptional items are expenses incurred by the group which the directors identify as being both material and one off in nature. These are disclosed separately in the statement of comprehensive income as they are relevant to an understanding of the group's financial performance.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The company maintains a provision for any withholding tax falling due where recoverability at the year-end is uncertain.

The income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group's subsidiaries operate and generate taxable income.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting 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 reporting date. Timing differences are differences between the group's taxable profits and its results 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.

A net deferred tax asset is recognised as recoverable and therefore only recognised to the extent that, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries only to the extent that, at the reporting date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the reporting date. Deferred tax is measured on a non-discounted basis.

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2019

2. ACCOUNTING POLICIES (continued)

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

Key management personnel

Key management personnel include all directors and non-executive directors of the group who together have authority and responsibility for planning, directing and controlling the activities of the group.

Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date. The company recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal.

Research and development

Research and development expenditure are charged to profit and loss as incurred.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATIONS

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year.

In preparing these financial statements, the directors have made the following judgements to:

- Determine whether the group is a going concern by reviewing the forecasts and projections to assess if the group has adequate resources to continue in operational existence for the foreseeable future;
- Determine the recoverability of debtors at the balance sheet date, and assess whether any amounts should be expensed as a bad debt, taking into account the credit worthiness of customers and recent payment profile;
- Determine whether there are indicators of impairment of the group's fixed asset investments currently held at cost;
- Determine whether leases entered into by the group as a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis;

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2019

3. SIGNIFICANT JUDGEMENTS AND ESTIMATIONS (continued)

- Determine whether there are indications of impairment of the group's stocks. Factors taken into consideration in reaching such a decision include an assessment of the prospect of future sales and likely sales price, the ability to rotate stock to suppliers, as well as an assessment for any damaged or obsolete stock. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell;
- Determine whether there are indicators of impairment of the group's tangible fixed assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit; and
- Determine a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

The directors have used estimation in determining the fair value models used to value the intangible assets acquired. The directors believe there are no other significant sources of estimation uncertainty in preparing these financial statements.

4. OPERATING LOSS

	2019	Restated 2018
	\$000	\$000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	1,069	460
Amortisation of intangible fixed assets	10,835	5,120
Operating leases	421	430
Defined contribution pension costs	512	153
Stock recognised as an expense	32,403	15,468
Net foreign exchange (gain)/loss	(3,971)	4,895
Loss/(gain) on disposal of fixed assets	(3)	170

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2019

5. EMPLOYEES

	Year Ended 2019 \$000	Period Ended 2018 \$000
Staff costs during the period were as follows:		
Wages and salaries	20,343	7,783
Social security costs	1,505	637
Defined contribution pension costs	512	153
	<u>22,360</u>	<u>8,573</u>

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to \$512,000 (2018: \$153,000). Outstanding pension contributions at the balance sheet date totalled \$68,000 (2018: \$138,000).

6. EXCEPTIONAL ITEMS

	Year Ended 2019 \$000	Restated Period Ended 2018 \$000
Costs incurred in respect of merger and acquisition activity	-	525
Costs incurred in respect of group restructure	-	113
Costs incurred in respect of director settlements	749	919
Costs incurred in respect of loan arrangement fees	-	778
	<u>749</u>	<u>2,335</u>

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended 2019 \$000	Period Ended 2018 \$000
Other interest	<u>41</u>	<u>20</u>

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 March 2019**

8. INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 2019 \$000	Restated Period Ended 2018 \$000
Interest payable on shareholder loans	5,457	2,665
Bank loans and overdrafts	3,759	1,248
Other interest	206	98
	<u>9,422</u>	<u>4,011</u>

9. TAX ON LOSS ON ORDINARY ACTIVITIES

	Year Ended 2019 \$000	Restated Period Ended 2018 \$000
Current tax:		
Current tax on loss for the period	(145)	12
Overseas tax	3,377	482
Adjustments in respect of prior periods	1,012	(32)
Total current tax	<u>4,244</u>	<u>462</u>
Deferred tax:		
Business combinations	-	(609)
Origination and reversal of timing differences	(1,215)	588
Adjustments in respect of prior periods	(1,587)	45
Effect of tax rate change and opening balance	-	(2)
Total deferred tax	<u>(2,802)</u>	<u>22</u>
Tax on loss on ordinary activities	<u>1,442</u>	<u>484</u>

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2019

9. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is higher than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below.

	2019 \$000	Restated 2018 \$000
Current tax reconciliation		
Loss on ordinary activities before tax	(3,133)	(7,184)
Current tax at 19% (2018: 19%)	(595)	(1,365)
Effects of:		
Fixed asset differences	(211)	4
Expenses not deductible for tax purposes	710	2,518
Income not taxable for tax purposes	-	(918)
Adjustments to tax charge in respect of previous periods	(680)	48
Research and development expenditure	(108)	(20)
Deferred tax not recognised	58	540
Business combinations	-	(609)
Brought forward losses utilised	-	147
Other short-term differences	140	4
Adjustments to tax rates	818	135
Foreign tax credits	1,200	-
Surrender of tax losses for tax credit	45	-
FX movements in balance sheet	65	-
Tax on loss on ordinary activities	1,442	484

10. DIVIDENDS

No ordinary dividends were paid to the shareholders of the group in respect of the current period (2018: \$nil). The company received no interim ordinary dividends from group undertakings in respect of the current period (2018: \$nil).

No final dividend is proposed for the year ended 31 March 2019 (2018: \$nil).

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2019

11. INTANGIBLE FIXED ASSETS

	Restated Goodwill \$000	Trademarks \$000	Technology \$000	Customer Relationships \$000	Restated Total \$000
Cost					
At 1 April 2018	40,532	4,869	19,806	43,853	109,060
At 31 March 2019	40,532	4,869	19,806	43,853	109,060
Amortisation					
At 1 April 2018	(1,339)	(274)	(1,155)	(2,352)	(5,120)
Charge for the year	(3,983)	(487)	(1,980)	(4,385)	(10,835)
At 31 March 2019	(5,322)	(761)	(3,135)	(6,737)	(15,955)
Net book value					
At 1 April 2018	39,193	4,595	18,651	41,501	103,940
Net book value					
At 31 March 2019	35,210	4,108	16,671	37,116	93,105
Useful Estimated Life Remaining (years)		8.5	8.5	8.5	

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. Intangible assets are being amortised over ten years which reflects management's best estimate of the useful economic life of the businesses acquired. Amortisation on all intangibles is charged to administrative expenses.

Trademarks, technology and customer relationships are also being amortised over ten years which reflects management's estimate of their useful economic lives.

The parent company did not hold any intangible fixed assets at the balance sheet date.

The opening cost and accumulated amortisation were restated by \$8,494,000 and \$283,000 respectively.

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 March 2019**

12. TANGIBLE FIXED ASSETS

	Short leasehold improvements \$000	Furniture & equipment \$000	Software \$000	Total \$000
Cost				
At 1 April 2018	308	1,466	282	2,056
Additions	106	2,008	246	2,360
Disposals	-	(3)	-	(3)
At 31 March 2019	414	3,471	528	4,413
Depreciation				
At 1 April 2018	(23)	(372)	(65)	(460)
Charge for the year	(68)	(905)	(96)	(1,069)
Disposals	-	3	-	3
At 31 March 2019	(91)	(1,274)	(161)	(1,526)
Net book value	285	1,094	217	1,596
At 31 March 2018				
Net book value	323	2,197	367	2,887
At 31 March 2019				

13. FIXED ASSET INVESTMENTS

The undertakings in which the company's interest at the balance sheet date is more than 20% are as follows:

Subsidiary undertakings	Country of incorporation	Principal activity	Percentage of shares held
Halo Technology Midco Limited	England	Holding company	100.0%
Halo Technology Bidco Limited	England	Holding company	100.0%
ProLabs Holdings Limited	England	Holding company	100.0%
ProLabs (UK) Limited	England	Accessories vendor	100.0%
Halo Technology Bidco Inc	USA	Holding company	100.0%
AddOn Computer Peripherals LLC	USA	Accessories vendor	100.0%

The consolidated financial statements present the results of Halo Technology Limited and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 March 2019**

14. STOCKS

	2019	2018
	\$000	\$000
Finished goods and goods for resale	9,920	6,924

15. DEBTORS

	2019	2018
	\$000	\$000
Trade debtors	9,474	6,845
Amounts owed by related parties (note 22)	747	839
Other debtors	198	241
Corporation tax	925	86
Deferred tax	1,378	-
Prepayments and accrued income	672	291
	<u>13,394</u>	<u>8,302</u>

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	Restated 2018
	\$000	\$000
Trade creditors	3,844	8,519
Amounts owed to related parties	6	9
Amounts owed to shareholders (note 22)	-	570
Other creditors	139	180
Corporation tax	1,422	-
Taxation and social security	117	114
Interest payable	30	-
Accruals and deferred income	4,781	3,436
	<u>10,339</u>	<u>12,828</u>

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018	Restated 2019
	\$000	\$000
Amounts owed to shareholders (note 22)	71,821	71,753
Bank loans and overdrafts	42,935	42,747
Other loan notes	2,777	2,500
	<u>117,533</u>	<u>117,000</u>

Bank loans and overdrafts, amounts owed to shareholders, and other creditors due after more than one year are repayable as follows:

	2019	2018
	\$000	\$000
More than five years	<u>117,533</u>	<u>117,000</u>

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2019

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

The amounts owed to shareholders comprise three facilities as follows:

- shareholder loan notes totalling \$45,700,000 (2018: \$43,846,000). Interest accrues at 8% per annum to be paid upon repayment of the principle balance. Interest accrued totals \$5,089,000 (2018: \$1,811,000) at the balance sheet date. The principle is repayable on 21st November 2024;
- shareholder loan notes totalling \$12,700,000 (2018: \$12,700,000). Interest accrues at 8% per annum and is paid quarterly in arrears. The outstanding principle is repayable on the earlier to occur 21 June 2025, a group restructure, or the redemption of the below C Preferred Shares held as a liability; and
- C Preferred ordinary shares totalling \$13,421,000 (2018: \$13,141,000) held as a liability on the balance sheet. Interest accrues at 8% per annum to be paid upon repayment of the principle balance. Interest accrued totals \$1,370,000 (2018: \$377,000) at the balance sheet date. The principle is repayable on the earlier to occur of a group restructure, the 21 November 2025 and the repayment of the above \$12,700,000 shareholder loan note.

The bank facility totalling \$44,000,000 (2018: \$44,000,000) accrues interest at US LIBOR plus 5.5%, which is paid quarterly in arrears. The facility is repayable in full on 21 November 2024. The bank loans and overdrafts are secured via a charge over the assets of each group company. Prior year figures have been restated for the capitalisation of the loan transaction fee which was initially expensed to the profit and loss account. The fee was \$1,320,000 which will be amortised over the life of the loan.

Other loans comprise amounts owed to the sellers of AddOn Computer Peripherals LLC totalling \$2,778,000 (2018: \$2,500,000). Interest accrues at an annual rate of 8% per annum to be paid upon repayment of the principle balance. Interest accrued totals \$278,000 (2018: \$71,000) at the balance sheet date. The facility is repayable on the earlier to occur of a group restructure, the 21 November 2025 and an insolvency agreement.

Liquidity risk is managed through detailed cash forecasting and the application of strict cash management practices to ensure the group has sufficient funds for operations.

On the 5 July 2018, the group registered loan notes due to institutional shareholders totalling £31,141,581 (\$43,846,000 equivalent) on the Cayman Islands Stock Exchange. On 29 March 2019, the Group registered a further £1,306,640 (\$1,705,000 equivalent) payment-in-kind (PIK) loan notes on the Cayman Islands Stock Exchange.

The interest accruing to the holders of these loan notes would ordinarily attract UK withholding tax of 20 per cent. Listing the loan notes on the Cayman Islands Stock Exchange would enable the holders of the loan notes to benefit from a specific exemption from this withholding tax under United Kingdom tax law.

The directors confirm that there is no intention to trade these loan notes on the Cayman Islands Stock Exchange.

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2019

18. FINANCIAL ASSETS AND LIABILITIES

The group's financial instruments may be analysed as follows:

	2019 \$000	Restated 2018 \$000
Financial assets		
Financial assets measured at amortised cost	22,174	22,581
Interest rate caps measured at fair value through profit and loss	77	169
Financial liabilities		
Financial liabilities measured at amortised cost	126,304	129,714
Forward currency contracts measured at fair value through profit and loss	14	1

Financial assets measured at amortised cost comprise cash, trade debtors, amounts owed by related parties, and other debtors.

The group manages interest rate risk by purchasing interest rate caps. The interest on the group's bank debt is linked to US Libor, with the group purchasing an interest rate caps at 2% on \$22,000,000, being half of the debt. In accordance with FRS 102, these are held at fair value with an unrealised gain of \$77,000 (2018: \$169,000) at the balance sheet date recognised in profit and loss.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to related parties, amounts owed to shareholders, other creditors, accruals for goods and services, and bank loans and overdrafts.

To hedge the potential volatility in US dollar exchange rates, the group has entered into three month foreign exchange forward contracts. As at the balance sheet date, open contracts to sell US dollar totalled \$1,450,000 (2018: \$1,500,000). In accordance with FRS 102, these are held at fair value with an unrealised loss of \$14,000 (2018: \$1,000) recognised in profit and loss.

19. PROVISION FOR OTHER LIABILITIES

The Group had the following provisions during the year:

	Restated Deferred Tax \$000s	Withholding Tax Provision \$000s	Debtor Provisions \$000s	Restated Total Provisions \$000
As at 1 April 2018	3,420	-	-	3,420
Transferred from Debtors during the year	-	-	4,243	4,243
Additions recognised in profit or loss	-	1,200	246	1,446
Provisions utilised in the year	(582)	-	(898)	(1,480)
At 31 March 2019	2,838	1,200	3,591	7,629

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2019

19. PROVISION FOR OTHER LIABILITIES (continued)

The group is currently in the process of agreeing its tax residency position, and until it does so, could have to account to the tax authorities for withholding tax on interest payments made. Whilst the Directors anticipate that these amounts will not be due, given the level of uncertainty as at the year end, they have decided to provide for the amounts in full in these financial statements. As at the year end the group has made interest payments of \$4.2m, therefore a provision of \$1.2m has been recognised.

20. DEFERRED TAXATION

	2019 \$000	Restated 2018 \$000
On 1 April 2018 / incorporation	(3,420)	-
Acquired via acquisition 13 June 2017	-	97
Charge to the profit and loss account	2,802	(348)
Business combinations	-	(3,169)
At end of period	(618)	(3,420)
	2019	2018
	\$000	\$000
The elements of deferred taxation are set out below:		
Origination and reversal of timing differences	1,377	(251)
Business combinations	(2,838)	(3,169)
Long term timing differences	843	-
	(618)	(3,420)

ALLO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2019

21. CALLED UP SHARE CAPITAL

Authorised, Allotted, called up and fully paid	2019 \$000	2018 \$000
44,914,933 A Ordinary shares of £0.0001 each (2018: 44,814,933)	6	6
17,310,000 A1 Ordinary shares of £0.0001 each (2018: 17,310,000)	2	2
23,454,103 B Ordinary shares of £0.0001 each (2018: 24,670,969)	3	3
5,122,798 C1 Ordinary shares of £0.01 each (2018: 11,853,901)	68	153
3,070,643 C2 Ordinary shares of £0.0001 each (2018: 3,380,809)	-	-
3,349,205 C3 Ordinary shares of £0.0001 each (2018: nil)	-	-
1,004,761 C4 Ordinary shares of £0.01 each (2018: nil)	13	-
126,224 D Ordinary shares of £0.0001 each (2018: 126,224)	-	-
22,143,369 E Ordinary shares of £0.0001 each (2018: 22,143,369)	3	3
688,647,879 A Preferred shares of £0.0001 each (2018: 815,800,793)	87	103
5,300,652 B Preferred shares of £0.0001 each (2018: 5,300,652)	1	1
	<u>183</u>	<u>271</u>

Share capital is converted from sterling to US Dollars using the exchange rate on the date of issue.

In the year, the company repurchased 127,152,914 £0.0001 A Preferred shares, 1,240,075 £0.0001 B Ordinary shares, 6,731,103 £0.01 C1 Ordinary shares, and 310,166 £0.0001 C2 Ordinary shares.

In the year, the company converted 1,004,761 £0.01 C1 Ordinary shares into 1,004,761 £0.01 C4 Ordinary shares and 3,349,205 £0.0001 C2 Ordinary shares into 3,349,205 C3 Ordinary shares. The company subsequently issued 3,349,205 £0.01 C3 Ordinary shares and 1,004,761 £0.0001 C4 Ordinary shares.

On a return of capital on liquidation or capital reduction or otherwise, the surplus assets of the company remaining after the payment of its liabilities shall be applied in the following order of priority:

- first, paying each holder of Preferred shares an amount equal to the issue price;
- second, in paying each holder of Ordinary shares *pari passu* as if they constituted one class of share; and
- thereafter, in distributing the balance of such assets amongst the holders in proportion to the numbers of the Ordinary shares held by them respectively ignoring any differences in voting rights or nominal value.

The Preferred shares will have no rights to dividends or distributions and shall be redeemed on the earlier to occur of a group restructure, the 21 November 2025 or the repayment of the shareholder loan notes (see note 17).

For voting rights, all Ordinary share classes are entitled to a single vote each, apart from class A and E which has five votes to one share and class C1 which has eleven votes to one share.

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2019

22. RELATED PARTY DISCLOSURES

At the balance sheet date, the company was the ultimate controlling party of the group.

There are no provisions against related party receivables at the balance sheet date, and no amounts were written off in the period.

Balances with members of Hardware Group

Hardware Group Limited and its subsidiaries ("Hardware Group") are related parties to ProLabs (UK) Limited and its subsidiaries due to a common shareholder and director.

Sales were made to members of Hardware Group totalling \$2,534,000 (2018: \$1,309,000) in the year. Purchases from members of the Hardware Group to members of the group totalled \$29,000 (2018: \$185,000) in the year.

Amounts owed to the group by members of Hardware Group at the balance sheet date were \$747,000 (2018: \$839,000). The balance is included in amounts owed by related parties. Amounts owed by the group to members of Hardware Group at the balance sheet date were \$6,000 (2018: \$9,000). The balance is included in amounts owed to related parties.

Balances with members of Addon Properties LLC

Addon Properties LLC is a related party to Addon Peripherals LLC due to a common shareholder and director. Addon Peripherals LLC hold an office lease from Addon Properties LLC where payments made in the year totalled \$389,000 (2018: \$129,000). The lease expires on 11 December 2022. No amounts were owed to Addon Properties LLC at the end of the year (2018: \$nil).

Balances with Inflexion Private Equity Partners LLC

Inflexion Private Equity Partners LLC are related parties to Halo Technology Ltd due to a common shareholder and director. During the year management fees were charged by Inflexion Private Equity Partners LLC in an amount of \$170,000 (2018: \$35,000). No amounts were owed to Inflexion Private Equity Partners LLC at the end of the year (2018: \$nil).

Balances with key management personnel

During the period, amounts paid to key management personnel totalled \$2,026,000 (2018: \$1,415,000). Amounts owed to key management personnel at the balance sheet date were \$nil (2018: \$77,000). Amounts owed to key management personnel in their capacity as a shareholder totalled \$26,121,000 (2018: \$26,218,000).

Balances with shareholders

Amounts owed to shareholders, as shown in note 17, represent loan notes due to be paid after one year of the balance sheet date. Total loan notes issued in the year ended 31 March 2019 of \$nil (2018: \$56,546,000) are repayable after 6 years, and accrue interest at a rate of 8% per annum.

	2019 \$000	2018 \$000
Balances outstanding at 1 April / incorporation	71,753	-
Loan notes issued	-	69,565
Interest charged	5,457	2,553
Interest paid	(1,069)	(365)
Foreign exchange gain	(4,320)	-
Balances outstanding at 31 March	<u>71,821</u>	<u>71,753</u>

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2019

23. LEASING COMMITMENTS

The group had future minimum lease payments under non-cancellable operating leases as set out below:

	2019	2018
	\$000	\$000
Land and Buildings:		
Not later than one year	770	421
Later than one year and not later than five years	2,322	1,454
Later than five years	718	944
	<u>3,810</u>	<u>2,819</u>

These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the lessee.

24. POST BALANCE SHEET EVENTS

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.