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Company Registration Number 63662

HALO TECHNOLOGY LIMITED

Report and Consolidated Financial Statements
Year ended 31 March 2021



HALO TECHNOLOGY LIMITED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2021

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HALO TECHNOLOGY LIMITED

CORPORATE INFORMATION

DIRECTORS

A Aguirre
W S Krzywicki
J Ma
A Majumdar
M McCormick
R J W Sweet
P Bolle

SECRETARY

A Jeremiah

REGISTERED OFFICE

2nd Floor Trafalgar Court
Les Banques
St. Peter Port
Guernsey
GY1 4LY

BANKER

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

SOLICITOR

Goodwin Procter (UK) LLP
100 Cheapside
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 2021. 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 principal 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 year were:

A Aguirre
W S Krzywicki
J Ma
A Majumdar
M McCormick
R J W Sweet
P Bolle Appointed 21 January 2021

DIVIDENDS

No ordinary dividends were paid to the shareholders of the group in respect of the current year (2020: \$nil).

No final dividend is proposed for the year ended 31 March 2021 (2020: \$nil).

RE-FINANCING AND BUSINESS COMBINATIONS

On June 30 the company repaid its bank facility with Barings Europe, and entered into an agreement with Barings Finance LLC, and secured a \$194,000,000 loan facility and a \$7,000,000 Revolving credit facility. All the proceeds were utilised in repaying the existing Barings Europe loan facility (\$44,000,000) and also acquiring two additional group of companies; Aria Technologies group for \$62,428,000 on 30 June and Solid Optics group for \$85,091,000 on 2 July.

GOING CONCERN

COVID-19 and its impact on the ability to continue as a going concern has been assessed in detail. Over the past twelve months the Company has not been overly affected by COVID-19, and the directors do not anticipate a significant disruption to the operations going forward. The directors have taken adequate steps to ensure that operations at all locations can continue in a safe manner, including enabling all non-production staff to work from home. Our offices and systems enabled operations from home for all core functions across the business. The directors have evaluated the risks and put in place mitigating controls to ensure the health and wellbeing of employees is safeguarded.

Following the year-end the group has acquired two significant business, both of which are profitable and cash-generative, and which have been acquired using existing cash resources supplemented by additional borrowings. The group relies on bank finance for long term financial support, and covenants with certain earnings related financial performance measures are in place.

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 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 therefore continue to adopt the going concern basis in preparing these financial statements.

HALO TECHNOLOGY LIMITED

DIRECTORS' REPORT (continued)

RE-APPOINTMENT OF AUDITORS

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

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 year 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.



W S Krzywicki
Director
27 August 2021

HALO TECHNOLOGY LIMITED

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

Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2021 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.

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 2021 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent 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.

Conclusions relating to going concern

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

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Report and 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 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 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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

- We have identified and assessed the potential risks related to irregularities, including fraud, by considering the following:
 - The nature of the industry, including the design of the Group's remuneration policies;
 - Enquiries of management regarding: the compliance with laws and regulations; the detection and response to the risk of fraud and any knowledge of actual, suspected or alleged fraud; and the controls in place to mitigate risks related to fraud or non-compliance with laws and regulations. As part of this discussion we identified potential for fraud in revenue recognition specifically in relation to the application of appropriate accounting policies, as well as management override of controls specifically in relation to the inappropriate use of estimates;
 - Obtaining an understanding of the legal and regulatory framework in which the Group operates, including employment law, and Health and Safety requirements.
- We have responded to risks identified by performing procedures including the following:
 - Performing analytical procedures to identify any unusual or unexpected relationships which may indicate risks of misstatement due to fraud;
 - Reading the minutes of meetings of those charged with governance, and discussing with management and those charged with governance whether they are aware of any frauds, actual or potential litigation or claims, or non-compliance with laws and regulations, during the period;

HALO TECHNOLOGY LIMITED

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

- In addressing the risk for fraud in revenue recognition, testing the appropriateness of the revenue recognition policies and the application of these policies, and performing specific procedures over the existence and cut-off of revenue.
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

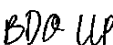
Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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.

DocuSigned by:

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Gavin Crawford (Senior Statutory Auditor)
BDO LLP
Chartered Accountants
Reading, UK

27 August 2021

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 2021

	Note	Year Ended 2021 \$000	Year Ended 2020 \$000
TURNOVER		133,519	96,936
Cost of Sales		(58,028)	(39,373)
GROSS PROFIT		<u>75,491</u>	<u>57,563</u>
Distribution costs		(2,949)	(1,725)
Administrative expenses		(65,540)	(49,797)
Operating profit before exceptional items		<u>7,002</u>	<u>7,030</u>
Exceptional items	6	-	(989)
OPERATING PROFIT	4	<u>7,002</u>	<u>6,041</u>
Interest receivable and similar income	7	23	211
Interest payable and similar charges	8	(9,755)	(9,665)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(2,730)</u>	<u>(3,413)</u>
Tax on loss on ordinary activities	9	(1,173)	(1,497)
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR		<u>(3,903)</u>	<u>(4,910)</u>

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

The notes on pages 11 to 31 form part of these financial statements.

HALO TECHNOLOGY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 31 March 2021

		Year Ended 2021		Year Ended 2020	
	Note	\$000	\$000	\$000	\$000
FIXED ASSETS					
Intangible assets	11		81,765		82,199
Tangible assets	12		6,129		4,618
			<u>87,894</u>		<u>86,817</u>
LONG TERM DEBTORS					
Deferred tax	20		2,032		1,437
CURRENT ASSETS					
Stocks	14	21,518		14,768	
Debtors	15	30,482		14,292	
Cash at bank and in hand		14,001		12,938	
		<u>66,001</u>		<u>41,998</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(26,987)		(11,624)	
NET CURRENT ASSETS			<u>39,014</u>		<u>30,374</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>128,940</u>		<u>118,628</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17		(133,569)		(119,706)
PROVISIONS FOR OTHER LIABILITIES	19		(4,048)		(7,323)
TOTAL NET LIABILITIES			<u>(8,677)</u>		<u>(8,401)</u>
CAPITAL AND RESERVES					
Called up share capital	21		184		182
Share premium			16,527		12,497
Capital redemption reserve			106		106
Profit and loss account			(25,494)		(21,186)
EQUITY ATTRIBUTABLE TO OWNERS OF THE GROUP			<u>(8,677)</u>		<u>(8,401)</u>

The financial statements of Halo Technology Limited, registered number 63662, were approved by the board of directors and authorised for issue on 27 August 2021.

The notes on pages 11 to 31 form part of these financial statements.

Signed on behalf of the board of directors



W S Krzywicki
Director

HALO TECHNOLOGY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 March 2021

	Note	Year Ended 2021 \$000	Year Ended 2020 \$000
Cash flows from operating activities			
Loss for the financial year		(3,903)	(4,910)
Adjustments for:			
Depreciation and amortisation of fixed assets		13,744	12,751
Loss on disposal of fixed assets		-	2
Increase in stocks		(5,085)	(4,848)
Increase in trade and other debtors		(12,014)	(1,790)
Increase in trade and other creditors		9,871	2,705
Decrease/ (increase) in provisions		(2,772)	(898)
Foreign exchange loss / (gain)		6,686	(2,953)
Taxation charge	9	1,173	1,497
Interest receivable	7	(23)	(211)
Interest payable	8	9,755	9,665
Cash from operations		17,432	11,010
Taxation paid		(2,876)	(2,030)
Net cash generated from operating activities		14,556	8,980
Cash flows from investing activities			
Purchases of tangible fixed assets	12	(3,442)	(3,577)
Purchase of intangible fixed assets	11	(216)	-
Purchase of subsidiaries (net of cash acquired)	13	(1,769)	-
Interest received	7	23	211
Net cash used in investing activities		(5,404)	(3,366)
Cash flows from financing activities			
Interest paid		(4,053)	(4,537)
Proceeds from the issue of ordinary share capital		2	-
Proceeds from the issue of share premium		572	181
Issue of loans to employees to acquire shares		(531)	-
Repurchase of shares		(65)	(76)
Debt repayments		(4,014)	-
Net cash from financing activities		(8,089)	(4,432)
Net (decrease)/increase in cash equivalents		1,063	1,182
Cash and cash equivalents at the beginning of the year		12,938	11,756
Cash and cash equivalents at the end of the year		14,001	12,938

The notes on pages 11 to 31 form part of these financial statements.

HALO TECHNOLOGY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY **Year ended 31 March 2021**

	Note	Called up Share capital \$000	Share Premium \$000	Capital Redemption Reserve \$000	Profit and Loss Account \$000	Total \$000
At 1 April 2019		183	12,316	105	(16,200)	(3,596)
Share capital issued	21	-	181	-	-	181
Share capital repurchased	21	(1)	-	1	(76)	(76)
Loss for the year		-	-	-	(4,910)	(4,910)
At 31 March 2020		<u>182</u>	<u>12,497</u>	<u>106</u>	<u>(21,186)</u>	<u>(8,401)</u>
Share capital issued – for cash	21	1	572	-	-	573
Share capital issued – share for share exchange	21	1	3,457	-	-	3,458
Share capital repurchased in year	21	-	-	-	(65)	(65)
Loss for the year		-	-	-	(3,904)	(3,904)
Currency translation adjustment		-	-	-	(339)	(339)
At 31 March 2021		<u>184</u>	<u>16,526</u>	<u>106</u>	<u>(25,494)</u>	<u>(8,677)</u>

The notes on pages 11 to 31 form part of these financial statements.

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

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 2nd Floor Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 4LY.

2. ACCOUNTING POLICIES

The following accounting policies have been applied in the year 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.

Year of account

The results of these financial statements are shown for the year ended 31 March 2021 with prior year comparatives.

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., AddOn Computer Peripherals LLC, LinxIT LLC, Halo Technology Bidco SRL, Bipho SRL, Skylane Optics SRL, Skylane Optics Inc. and Skylane Optics do Brasil Servicos de Pesquisa Ltda, ("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 directors have considered that the amounts of revenue and profit and loss of Skylane group of companies since acquisition are immaterial to disclose separately.

The company was incorporated on 13 June 2017. Under the Companies (Guernsey) Law 2008 there is no requirement to produce company only financial statements, and the Company has decided to not include within *these financial statements*.

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 year 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.

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2021

2. ACCOUNTING POLICIES (continued)

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.

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 units) 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 years may no longer exist or may have decreased.

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

2. ACCOUNTING POLICIES (continued)

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.

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 year end and adjusted based on the expected value and probability of any payments being made.

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.

Pension costs

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

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

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.

Leases

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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Current and deferred taxation

The tax expense for the year 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 years 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 years 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 2021

2. ACCOUNTING POLICIES (continued)

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.

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.

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.

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 years. 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

Certain Research and Development expenditure which can be identifiable as a long term project are capitalised as an Intangible Asset. Any other research and development expenditure is charged to profit and loss as incurred.

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 March 2021**

2. ACCOUNTING POLICIES (continued)

Going Concern

COVID-19 and its impact on the ability to continue as a going concern has been assessed in detail. Over the past twelve months the Company has not been overly affected by COVID-19, and the directors do not anticipate a significant disruption to the operations going forward. The directors have taken adequate steps to ensure that operations at all locations can continue in a safe manner, including enabling all non-production staff to work from home. Our offices and systems enabled operations from home for all core functions across the business. The directors have evaluated the risks and put in place mitigating controls to ensure the health and wellbeing of employees is safeguarded.

Following the year-end the group has acquired two significant business, both of which are profitable and cash-generative, and which have been acquired using existing cash resources supplemented by additional borrowings (see below).

The group relies on bank finance for long term financial support. Following the year end the finance facilities have been renewed until 2027, and been extended to provide funding for the recent acquisitions. Covenants have also been amended, with the key requirements going forward being around certain earnings related financial performance measures. The directors have reviewed the finance available in light of anticipated trading, and have assessed that even under a reasonable worst case scenario that the group has adequate resources for the foreseeable future.

Trading in the existing business since year end has been positive with growth when compared to the prior period, and trading in the acquired businesses is currently in-line with expectations.

After reviewing the group's forecasts and projections, and with due consideration of the impacts of COVID-19 on the business, along with the recent acquisitions, as further described above, the directors have a reasonable expectation that the group will continue to be cash positive and to meet covenant requirements. The group therefore continues to adopt the going concern basis in preparing these financial statements.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATIONS

The preparation of these financial statements requires management to make judgements, estimates and assumptions that can materially 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 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

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

3. SIGNIFICANT JUDGEMENTS AND ESTIMATIONS (CONTINUED)

- 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 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.
- Determine the Fair Value of equity instruments in the parent company, which have been issued as part of the consideration of acquisitions made during the year.

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 PROFIT

	Year 2021 \$000	Year 2020 \$000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	2,680	1,844
Amortisation of intangible fixed assets	11,064	10,906
Operating lease expense	1,005	779
Defined contribution pension costs	810	703
Stock recognised as an expense	55,295	37,576
Net foreign exchange loss / (gain)	6,568	(2,771)
Costs relating to business combinations and other corporate items	1,668	-
Loss on disposal of fixed assets	-	2

5. EMPLOYEES

	Year 2021 \$000	Year 2020 \$000
Staff costs during the year were as follows:		
Wages and salaries	29,560	24,056
Social security costs	1,728	1,508
Defined contribution pension costs	810	703
	<u>32,098</u>	<u>26,267</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 \$810,000 (2020: \$703,000). Outstanding pension contributions at the balance sheet date totalled \$18,000 (2020: \$13,000).

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2021

6. EXCEPTIONAL ITEMS

	Year 2021 \$000	Year 2020 \$000
Costs incurred in respect of director settlements	-	580
Costs incurred in defending litigation	-	409
	<u>-</u>	<u>989</u>

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year 2021 \$000	Year 2020 \$000
Other interest	<u>23</u>	<u>211</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	Year 2021 \$000	Year 2020 \$000
Interest payable on shareholder loans	6,180	5,673
Bank loans and overdrafts	3,151	3,651
Finance lease interest	83	-
Other interest	341	341
	<u>9,755</u>	<u>9,665</u>

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2021

9. TAX ON LOSS ON ORDINARY ACTIVITIES

	Year 2021 \$000	Year 2020 \$000
Current tax:		
Current tax on loss for the year	-	-
Overseas tax	1,848	2,000
Adjustments in respect of prior years	509	(495)
Total current tax charge	2,357	1,505
Deferred tax:		
Origination and reversal of timing differences	(999)	(218)
Adjustments in respect of prior years	(185)	210
Total deferred tax credit	(1,184)	(8)
Total tax charge on loss on ordinary activities	1,173	1,497

Factors affecting the tax charge for the current year

The current tax charge for the year is higher than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below.

	2021 \$000	2020 \$000
Current tax reconciliation		
Loss on ordinary activities before tax	(2,730)	(3,414)
Current tax at 19% (2020: 19%)	(519)	(649)
Effects of:		
Fixed asset differences	24	565
Expenses not deductible for tax purposes	3,223	758
Adjustments to tax charge in respect of previous years	(14)	(285)
Research and development expenditure	(304)	-
Deferred tax not recognised	1,043	202
Brought forward losses utilised	-	(15)
Adjustments to tax rates	1,323	(49)
Withholding tax	(2,170)	970
Other short term differences	(1,433)	-
Tax on loss on ordinary activities	1,173	1,497

Changes substantively enacted as part of the Finance Act 2016 on 15 September 2016, legislated for a reduction of UK corporation tax to 17% effective from 1 April 2020. On 17 March 2020, it was announced that this change was to be reversed and the rate remains at 19% from 1 April 2020. On 3 March 2021, it was announced that the main rate of corporation tax would increase to 25% with effect from 1 April 2023. Subsequent to the reporting date, on 24 May 2021 the 25% rate has been now considered substantively enacted. Deferred taxes at the reporting date have been measured and reflected in these financial statements using the substantively enacted tax rate at the year end of 19% as the increased rate had not yet been substantively enacted. If all deferred tax balances recognised at the balance sheet date were to unwind at the increased rate of 25%, the impact on the closing deferred tax position would be to increase the deferred tax liability by \$749,000.

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

10. DIVIDENDS

No ordinary dividends were paid to the shareholders of the group in respect of the current year (2020: \$nil). The company received no interim ordinary dividends from group undertakings in respect of the current year (2020: \$nil).

No final dividend is proposed for the year ended 31 March 2021 (2020: \$nil).

11. INTANGIBLE FIXED ASSETS

	Goodwill \$000	Trademarks \$000	Technology \$000	Customer Relationships \$000	Total \$000
Cost					
At 1 April 2020	40,532	4,869	19,806	43,853	109,060
Business combinations	4,117	1,113	5,463	-	10,693
Additions in the year	-	3	214	-	217
Foreign exchange	(77)	(34)	(176)	-	(287)
At 31 March 2021	44,572	5,951	25,307	43,853	119,683
Amortisation					
At 1 April 2020	(9,375)	(1,248)	(5,116)	(11,122)	(26,861)
Charge for the year	(4,094)	(506)	(2,078)	(4,386)	(11,064)
Foreign exchange	1	1	5	-	7
At 31 March 2021	(13,468)	(1,753)	(7,189)	(15,508)	(37,918)
Net book value At 1 April 2020	31,157	3,621	14,690	32,731	82,199
Net book value At 31 March 2021	31,104	4,198	18,118	28,345	81,765
Useful Estimated Life Remaining (years)		7.3	7.5	6.9	

The directors consider each acquisition separately for the purpose of determining the amortisation year 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.

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

12. TANGIBLE FIXED ASSETS

	Short leasehold improvements \$000	Furniture & equipment \$000	Software \$000	Total \$000
Cost				
At 1 April 2020	502	6,358	1,128	7,988
Acquired through business combinations	189	525	52	766
Additions	120	2,896	425	3,441
Foreign exchange	(3)	(22)	-	(25)
At 31 March 2021	808	9,757	1,605	12,170
Depreciation				
At 1 April 2020	(151)	(2,821)	(398)	(3,370)
Charge for the year	(100)	(2,196)	(384)	(2,680)
Foreign exchange	-	8	-	8
At 31 March 2021	(251)	(5,009)	(782)	(6,042)
Net book value	351	3,537	730	4,618
At 31 March 2020				
Net book value	557	4,748	823	6,128
At 31 March 2021				

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	Guernsey	Holding company	100.0%
Halo Technology Bidco Limited	Guernsey	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%
LinxIT LLC	USA	Accessories vendor	100.0%
Halo Technology Bidco SRL	Belgium	Holding company	100.0%
Bipho SRL	Belgium	Holding company	100.0%
Skylane Optics SRL	Belgium	Accessories vendor	100.0%
Skylane Optics Inc.	USA	Dormant	100.0%
Skylane Optics do Brasil Servicos de Pesquisa Ltda	Brasil	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 Bidco SRL was incorporated on 24 December 2020, in Walcourt, Belgium.

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

13. FIXED ASSET INVESTMENTS (CONTINUED)

On 20 January 2021 the wholly owned intermediate holding subsidiary, Halo Technology Bidco SRL, acquired 100% of the share capital of Bipho SRL ("Skylane Optics") and its subsidiaries for cash consideration of \$3,936,000, \$3,458,000 in respect of a share for share exchange where management rolled their investment from Bipho SRL into Halo Technology Limited, and contingent consideration recognised of \$3,030,000.

The value of shares was determined by Management's assessment of the enterprise value of Halo Technology Limited. This was based upon earnings multiples currently being seen across the sector, and taking into account size and marketability discounts, where appropriate. There are two payment dates of the deferred consideration, one in January 2022 for a maximum of \$1.8m, and one in January 2023 for a maximum of \$1.2m. These amounts are based on achieving a certain Turnover target in the previous 12 months preceding the measurement date. At the date the business was acquired, management assessed the likelihood of payments for both of these future payments, and they were then discounted back to the Fair Value recognised in the financial statements - \$2,919,000.

Acquisition costs of \$1,398,000 arose as a result of the transaction. These have been recognised as part of exceptional administrative expenses in the statement of comprehensive income and are disclosed within exceptional costs in the notes to the financial statements.

Goodwill of \$4,117,000 was recognised on the transaction. The main factors leading to the recognition of goodwill are:

- The presence of certain intangible assets, such as certain research and development projects of the acquired entity - portable coding device as one example - which do not qualify for separate recognition
 - the anticipated improvement in profitability from being part of a group with both increased scale.
- Goodwill also comprises new standalone contract wins expected to be achieved.

The goodwill recognised will not be deductible for tax purposes.

There are no minority interests in any of the acquired businesses, and none of business were acquired in stages. There were no contingent liabilities in any of the businesses acquired.

See the Subsequent Events note for details of business combinations whose acquisition date is after the end of the reporting period but before the financial statements are authorised for issue.

Intangible assets acquired are made up of \$5,463,000 relating to the Coding Library and \$1,113,000 of trademarks. These useful economic lives for brand assets and customer relationship assets are 10 years.

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2021

13. FIXED ASSET INVESTMENTS (CONTINUED)

The fair value of the assets acquired, together with details of the purchase consideration and goodwill arising on the acquisitions are shown below:

	Book Value \$000	Fair Value of adjustments \$000	Fair Value \$000
Fixed Assets			
Tangible fixed assets	766	-	766
Intangible fixed assets	1,786	8,907	10,693
Current Assets			
Stock	1,665	-	1,665
Debtors	3,632	-	3,632
Other current assets	542	-	542
Cash	2,167	-	2,167
Liabilities			
Creditors	(2,846)	-	(2,846)
Lease Liabilities	(876)	-	(876)
Bank Loans	(3,786)	-	(3,786)
Deferred Tax Liability	-	(1,644)	(1,644)
Net Assets Acquired	3,050	7,263	10,313
			\$000
Consideration:			
Settled by cash			3,936
Settled by share for share exchange			3,458
Deferred consideration			2,919
Total consideration			10,313
 Purchase consideration settled in cash			3,936
Cash and cash equivalents in subsidiary			(2,167)
Cash outflow on acquisition net of cash acquired			1,769

Goodwill has an economic useful life of 10 years. The useful economic life of other intangible assets recognised is 10 years.

14. STOCKS

	2021 \$000	2020 \$000
Finished goods and goods for resale	21,518	14,768

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

15. DEBTORS

	2021	2020
	\$000	\$000
Trade debtors	26,392	10,816
Amounts owed by related parties (note 22)	1,052	792
Other debtors	943	411
Corporation tax	-	998
Deferred tax	881	413
Prepayments and accrued income	1,214	862
	<u>30,482</u>	<u>14,292</u>

Included within other debtors are amounts due more than one year \$531,000 (2020: \$133,000), which relates to loans granted to employees to acquire shares in the company.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020
	\$000	\$000
Trade creditors	12,028	4,928
Amounts owed to related parties (note 22)	1,938	-
Other creditors	537	188
Corporation tax	653	-
Taxation and social security	677	205
Interest payable	5	-
Accruals and deferred income	10,916	6,303
Amounts due on finance leases	233	-
	<u>26,987</u>	<u>11,624</u>

Included within amounts owed to related parties is the amount payable for deferred consideration on the acquisition of the Skylane Optics group of companies \$1,759,000 (2020: \$nil).

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

	2021	2020
	\$000	\$000
Amounts owed to shareholders (note 22)	86,601	73,583
Bank loans and overdrafts	43,313	43,123
Other loan notes	3,240	3,000
Amounts due on finance leases	415	-
	<u>133,569</u>	<u>119,706</u>

Included within amounts owed to related parties is the amount payable for deferred consideration on the acquisition of the Skylane Optics group of companies \$1,173,000 (2020: \$nil).

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

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

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

	2021 \$000	2020 \$000
Between one and five years	133,569	90,161
More than five years	-	29,545
	<u>133,569</u>	<u>119,706</u>

The amounts owed to shareholders comprise three facilities as follows:

- shareholder loan notes totalling \$56,159,000 (2020: \$47,038,000). Interest accrues at 8% per annum to be paid upon repayment of the principal balance. Interest accrued totals \$13,373,000 (2020: \$8,343,000) at the balance sheet date. The principal is repayable on 21st November 2024;
- shareholder loan notes totalling \$12,700,000 (2020: \$12,700,000). Interest accrues at 8% per annum and is paid quarterly in arrears. The outstanding principal 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 \$16,570,000 (2020: \$13,845,000) held as a liability on the balance sheet. Interest accrues at 8% per annum to be paid upon repayment of the principal balance. Interest accrued totals \$3,874,000 (2020: \$2,363,000) at the balance sheet date. The principal 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.

During the year the company took out a \$5,000,000 rolling credit facility to cover additional short term liquidity needs. The facility was aligned with the other bank facility and is repayable in full on 21 November 2024. The loan transaction fee of \$162,500 has been capitalised and is amortised over the life of the facility. The facility accrues interest at US LIBOR plus 5.5% for any amounts drawn, and also charges a minimum 0.35% commitment fee, which is paid quarterly in arrears.

The bank facility totalling \$44,000,000 (2020: \$44,000,000) accrues interest at US LIBOR plus 5.5%, which is paid quarterly in arrears. The US LIBOR Rate has a floor at a minimum rate of 1.0%. 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. The loan transaction fee of \$1,320,000 had been capitalised, which continues to be amortised over the life of the loan. At 30 June 2021, the bank facility was repaid, and a new bank facility of \$194,000,000 was drawn on a US bank, in order to acquire two new companies. As part of the new banking facility, the rolling credit facility put in place in the year was cancelled (see note 24).

Other loans compromise amounts owed to the sellers of AddOn Computer Peripherals LLC totalling \$3,240,000 (2020: \$3,000,000). Interest accrues at an annual rate of 8% per annum to be paid upon repayment of the principal balance. Interest accrued totals \$740,000 (2020: \$500,000) 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) and on 27 March 2020 a further £2,596,000 (\$3,225,000 equivalent) payment-in-kind (PIK) loan notes on the Cayman Islands Stock Exchange. No further loan notes were issued in the current year.

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

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

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.

	At April 1 2020 \$000	Business Combinations \$000	Cash flow \$000	Other non- cash changes \$000	At March 30 2021 \$000
Cash and cash equivalents					
Cash	12,938	2,167	(1,104)	-	14,001
	<u>12,938</u>	<u>2,167</u>	<u>(1,104)</u>	<u>-</u>	<u>14,001</u>
Borrowings					
Debt due in one year or less	-	(4,158)	4,014	(89)	(233)
Debt due after one year	(119,706)	(504)	-	(12,186)	(132,396)
	<u>(119,706)</u>	<u>(4,662)</u>	<u>4,014</u>	<u>(12,275)</u>	<u>(132,629)</u>
Deferred Consideration					
Debt due in one year or less	-	(1,751)	-	(8)	(1,759)
Debt due after one year	-	(1,168)	-	(5)	(1,173)
	<u>-</u>	<u>(2,919)</u>	<u>-</u>	<u>(13)</u>	<u>(2,932)</u>
Total Net Debt	<u>(106,768)</u>	<u>(5,414)</u>	<u>2,910</u>	<u>(12,288)</u>	<u>(121,560)</u>

Deferred consideration relates to payments due for the Skylane Optics group acquisition. Amounts are shown under Amounts owed to related parties within Creditors.

18. FINANCIAL ASSETS AND LIABILITIES

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

	2021 \$000	2020 \$000
Financial assets		
Financial assets measured at amortised cost	42,389	24,957
Financial liabilities		
Financial liabilities measured at amortised cost	158,988	131,099
Forward currency contracts measured at fair value through profit and loss	-	26

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

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 during the year. As at the balance sheet date, there were no open contracts to sell US dollar \$nil (2020: \$600,000). In accordance with FRS 102, these are held at fair value with an unrealised loss of \$nil (2020 \$26,000) which is recognised in the profit and loss statement.

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2021

19. PROVISION FOR OTHER LIABILITIES

The Group had the following provisions during the year:

	Onerous Lease Provision \$000s	Debtor Provisions \$000s	Deferred Tax \$000s	Withholding Tax Provision \$000s	Total Provisions \$000
As at 1 April 2020	-	2,693	2,460	2,170	7,323
Business Combinations	-	-	1,644	-	1,644
Additions recognised in profit or loss	65	-	-	-	65
Provisions released in the year	-	(2,693)	-	(2,170)	(4,863)
Provisions utilised in the year	-	-	(121)	-	(121)
At 31 March 2021	65	-	3,983	-	4,048

During the prior year the company agreed its tax residency position with the UK and Guernsey tax authorities. Additional work was carried out in the year identifying further information to lead to the conclusion that there was minimal risk that it could have to account to the tax authorities for withholding tax on interest payments made. The Directors are of the opinion that these amounts will not be due and have made the decision to release the provision at the year end to \$nil (2020; \$2,170,000).

The debtor provision was fully reviewed in the year and based upon the remote likelihood that credit notes would not likely be raised, a decision was taken to release the provision in the year, and therefore as at the year-end the provision was \$nil (2020; \$2,693,000).

20. DEFERRED TAXATION

	2021 \$000	2020 \$000
On 1 April	(610)	(618)
Business combination	(1,644)	-
Credit to the profit and loss account	1,184	8
At end of year	(1,070)	(610)

The elements of deferred taxation are set out below:	2021 \$000	2020 \$000
Origination and reversal of timing differences	881	413
Business combinations	(3,983)	(2,460)
Long term timing differences	2,032	1,437
	(1,070)	(610)

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

20. DEFERRED TAXATION (CONTINUED)

Changes substantively enacted as part of the Finance Act 2016 on 15 September 2016, legislated for a reduction of UK corporation tax to 17% effective from 1 April 2020. On 17 March 2020, it was announced that this change was to be reversed and the rate remains at 19% from 1 April 2020. On 3 March 2021, it was announced that the main rate of corporation tax would increase to 25% with effect from 1 April 2023. Subsequent to the reporting date, on 24 May 2021 the 25% rate has been now considered substantively enacted.

Deferred taxes at the reporting date have been measured and reflected in these financial statements using the substantively enacted tax rate at the year end of 19% as the increased rate had not yet been substantively enacted. If all deferred tax balances recognised at the balance sheet date were to unwind at the increased rate of 25%, the impact on the closing deferred tax position would be to decrease the deferred tax liability asset by \$745,000.

21. CALLED UP SHARE CAPITAL

Authorised, Allotted, called up and fully paid	2021 \$000	2020 \$000
44,914,933 A Ordinary shares of £0.0001 each (2020: 44,914,933)	6	6
17,310,000 A1 Ordinary shares of £0.0001 each (2020: 17,310,000)	2	2
27,505,555 B Ordinary shares of £0.0001 each (2020: 23,454,103)	4	3
5,122,798 C1 Ordinary shares of £0.01 each (2020: 5,122,798)	68	68
1,054,564 C2 Ordinary shares of £0.0001 each (2020: 1,054,564)	-	-
3,349,205 C3 Ordinary shares of £0.0001 each (2020: 3,349,205)	-	-
1,004,761 C4 Ordinary shares of £0.01 each (2020: 1,004,761)	13	13
2,656,989 C5 Ordinary shares of £0.0001 each (2020: 1,004,760)	-	-
31,556 D Ordinary shares of £0.0001 each (2020: 31,556)	-	-
22,143,369 E Ordinary shares of £0.0001 each (2020: 22,143,369)	3	3
8,623,523 F Ordinary shares of £0.0001 each (2020: 2,746,340)	1	-
688,647,879 A Preferred shares of £0.0001 each (2020: 688,647,879)	87	87
1,448,696 B Preferred shares of £0.0001 each (2020: 1,448,696)	-	-
	<u>184</u>	<u>182</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 1,340,000 £0.0001 B Ordinary shares.

In the year, the company issued additional share capital as part consideration for the acquisition of the Skylane Optics group of companies as a share for share exchange. In total 4,721,612 £0.0001 B Ordinary shares were issued, the consideration of which was valued for accounting purposes at \$3,458,000.

In the year, the company converted 1,652,229 £0.0001 F Ordinary shares into 1,652,229 £0.0001 C5 Ordinary shares. The company subsequently issued 669,840 £0.0001 B Ordinary shares, 1,652,229 £0.0001 C5 Ordinary shares and 5,877,183 £0.0001 F Ordinary shares to management, the proceeds of which were \$573,000 (2020: \$182,000).

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. 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, class C1 which has eleven votes to one share and Class F which have no voting rights.

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 March 2021**

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 year.

Balances with members of Hardware Group

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

Sales were made to members of Hardware Group totalling \$3,823,000 (2020: \$2,956,000) in the year. Purchases from members of the Hardware Group to members of the group totalled \$9,000 (2020: \$25,000) in the year.

Amounts owed to the group by members of Hardware Group at the balance sheet date were \$1,052,000 (2020: \$792,000). 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 \$4,000 (2020: \$nil). The balance is included in amounts owed to related parties.

Balances with members of Immo Fraire, SA

Immo Fraire, SA is a related party to Immo Fraire, SA due to a common shareholder and director. Skylane Optics SRL hold an office lease from Immo Fraire, SA where payments made in the year totalled \$15,000 (2020: \$nil) and the balance outstanding at 31 March 2021 was \$3,000.

Balances with members of Han Communication, SA

Han Communication, SA is a related party to Halo Technology Bidco SRL, due to a common shareholder. Halo Technology Bidco SRL hold a management consultancy agreement with this related party. Payments made in the year totalled \$15,000 (2020: \$nil), and the balance outstanding at 31 March 2021 was \$98,000.

Balances with members of Addon Properties LLC

Addon Properties LLC is a related party to AddOn Computer Peripherals LLC due to a common shareholder and director. AddOn Computer Peripherals LLC hold an office lease from Addon Properties LLC where payments made in the year totalled \$420,000 (2020: \$420,000). The lease expires on 11 December 2022. No amounts were owed to Addon Properties LLC at the end of the year (2020: \$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 \$195,000 (2020: \$195,000). Amounts owed by the group to Inflexion Private Equity Partners LLC at the balance sheet date were \$45,000 (2020: \$40,000), and included in amounts owed to related parties.

Balances with key management personnel

During the year, amounts paid to key management personnel totalled \$3,528,000 (2020: \$2,459,000). Amounts owed to key management personnel at the balance sheet date were \$nil (2020: \$nil). Amounts owed to key management personnel in their capacity as a shareholder totalled \$29,270,000 (2020: \$26,545,000).

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

22. RELATED PARTY DISCLOSURES (CONTINUED)

During the year the company issued shares to certain members of management for a total consideration of \$573,000 (2020; \$182,000). The shares were issued between \$0.0485/share and \$0.1687/share, which was deemed to be the fair value at date of issue. One Director had \$208,000 of loans issued by AddOn Computer Peripherals LLC in the year, in order to acquire the shares, which remains outstanding at the year end, and which is repayable after ten years. Interest accrues at an annual rate of between 1.12% -1.93% per annum on the loans outstanding at the end of the year (2020; \$48,750).

Deferred consideration of \$3,135,000 was due to a director of the company following the acquisition of the Skylane Optics group of companies. Of which \$1,759,000 was due within 1 year and \$1,173,000 between 2 and 5 years of the balance sheet date. The balance is included in amounts owed to related parties.

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. Loan notes accrue interest at a rate of 8% per annum.

	2021 \$000	2020 \$000
Balances outstanding at 1 April	73,583	71,821
Interest charged	6,180	5,673
Interest paid	(1,016)	(1,016)
Foreign exchange loss / (gain)	6,682	(2,895)
Balances outstanding at 31 March	<u>85,429</u>	<u>73,583</u>

Amounts owed to shareholders due after more than one year are repayable as follows:

	2021 \$000	2020 \$000
Between one and five years	85,429	47,038
More than five years	<u>-</u>	<u>26,545</u>

HALO TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2021

23. LEASING COMMITMENTS

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

	2021 \$000	2020 \$000
Land and Buildings:		
Not later than one year	1,116	948
Later than one year and not later than five years	2,046	2,705
Later than five years	757	1,085
	<u>3,919</u>	<u>4,738</u>
Motor Vehicles:		
Later than one year and not later than five years	145	-
	<u>145</u>	<u>-</u>
Laboratory Equipment:		
Later than one year and not later than five years	34	-
	<u>34</u>	<u>-</u>

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

24. SUBSEQUENT EVENTS

On 30 June 2021 the company repaid its bank facility with Barings Europe, and entered into an agreement with Barings Finance LLC, and secured a \$194,000,000 loan facility and a \$7,000,000 Revolving credit facility. All the proceeds were utilised in repaying the existing Barings Europe loan facility (\$44,000,000) and also acquiring two additional group of companies; Aria Technologies group for \$62,428,000 on 30 June and Solid Optics group for \$85,091,000 on 2 July.

There are no other subsequent events of note.