

LOGICALIS UK LIMITED

Annual Report and Financial Statements

For the Year ended 29 February 2020



LOGICALIS UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2020

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LOGICALIS UK LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 29
FEBRUARY 2020**

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R B Bailkoski
M Lewis (Appointed on 18 April 2019)
A B Louth (Appointed on 31 July 2019)
S E Radcliffe
R Rath
M Rogers (Resigned on 29 February 2020)
R I J Swallow (Resigned on 8 April 2019)

COMPANY SECRETARY

L Dal Bianco

REGISTERED OFFICE

110 Buckingham Avenue
Slough
Berkshire
SL1 4PF

BANKERS

HSBC Bank plc
26 Broad Street
Reading
Berkshire
RG1 2BU

SOLICITORS

Squire Patton Boggs (UK) LLP
Rutland House
148 Edmund Street
Birmingham
B3 2JR
United Kingdom

AUDITOR

Deloitte LLP
Statutory Auditor
Bristol, United Kingdom

LOGICALIS UK LIMITED

STRATEGIC REPORT

The Directors present the annual report and the audited financial statements for the year ended 29 February 2020. The Directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

Logicalis UK Limited (“LUK”) is a provider of integrated information and communication technology (“ICT”) solutions. LUK has expertise in communications networks, cyber security, business collaboration, data centre, cloud services, business data, internet of things (IoT), professional and managed services, that meet our customers’ business needs now and into the future. Our business model is built around helping our customers adopt digital technologies and services to embrace, support and drive their strategic business aims. We help them maximise the business value and outcomes achieved through digital technology investments, using our experience and investment in people, skills and services, to help organisations manage the complexities of adopting and then adapting technology to their specific business needs.

Our focus on investment in the provision of our core products and services in the past year is allowing the Company to respond to market demands for suppliers who can address both the business and technology outcomes needed from digital transformation investments.

As the IT industry evolves and grows in importance to organisations across every industry sector, becomes engrained in the core business models of organisations to an ever greater extent, continues to innovate new products and services, and adjusts ownership, operational and consumption models for technology, management recognises the need for the Company to continually adapt.

During the year LUK has incurred £0.4m (2019: £2.4m) of expenses associated with the ongoing transformation of its business to adapt to our customers’ needs. This transformation involved the restructuring of the scope of business undertaken by significantly refining our focus on core go-to-market offerings in the product and services businesses. This also involves our business redefining, repackaging and increasing the repeatability of service engagements we offer to our customers through the creation of a Customer Success Team and development of new intellectual property aligned to digital technology journeys. We have refocussed the business around two keys pillars, and supporting technology vendors so we can better meet the needs of our target customer base – in Communication, Collaboration and Security, and the transformation in Application, Resources and Cloud Platforms.

Looking forward, the Directors are very confident that LUK is well placed to take advantage of the opportunities it faces having undergone an internal reorganisation that leaves the organisation with a more focused go-to-market offering, a revised customer engagement process that drives long term value, a more strategic alignment and relationship with core vendors, and a more streamlined cost base.

Management considers that the key performance indicators of LUK are revenue and operating profit. In the year ended 29 February 2020, LUK generated revenue of £55.2m (2019: £92.2m) and operating losses of £13.7m (2019: £25.8m). The Company’s balance sheet position was strengthened via a £30.0m share capital issue on 17 February 2020, resulting in closing shareholders’ funds of £4.1m (2019: deficit of £13.4m).

Revenue decreased by £37.0m, or 40.1%. This decline was as a result of lower demand for goods and services across our customer base and market, which drove the internal reorganisation and refocus of the business. As a result of the reorganisation and refocus of the business, based on the estimated value-in-use of the cash generating units to which goodwill has been allocated, the Company has impaired £3.2m (2019: £15.2m) of goodwill. Operating losses reduced by £12.1m, or 47.0% as a result of realigning the cost base of the business to activity levels.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board of Directors are responsible for the process of risk management, forming an opinion on the effectiveness of its processes of control and risk management in conjunction with the Group Internal Audit Function of its ultimate parent company, Datatec Inc. The Board monitors and manages risks, regularly reviewing strategic, financial and operational risks. Mitigating actions and associated assurance and reporting processes are identified for all ‘high’ and material risks, enabling the Board and its’ Directors to better understand the context within which risks occur, and to identify probable/likely areas for mitigation and increased organisational control.

The risk management process has identified certain key risks faced by LUK, which are summarised below. The risks identified do not necessarily comprise all the risks facing LUK, nor are they presented in any particular order of assessed impact and/or severity.

LOGICALIS UK LIMITED

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Dependence on key vendors

LUK is dependent on certain key vendors, particularly Cisco and IBM. Should any of the principle vendors fail, terminate, or materially adversely change its agreements with LUK, it could materially impact revenue and operating profits. The Board and Management team recognise both the importance of our key vendors and the actions required to mitigate this risk. We continue to assign the highest priority to the maintenance and development of transparent and mutually beneficial relationships, and we invest internal resources in vendor relationship management to maintain close partnerships.

Dependence on product and volume related rebates, discounts and allowances

LUK receives significant benefits from product and volume related rebates, discounts and allowances and other programmes from vendors based on various factors. A decrease in purchases and/or sales of a particular vendor's products could impact the amount of volume rebates LUK receives from such vendors. LUK invests internal resources to manage and optimise the vendor programmes to mitigate this risk, and invests in close partnerships with vendors.

Dependence on key personnel

LUK's future success depends largely upon the retention of highly desirable skills and experience of our key personnel, as well as our ability to attract talent in a highly competitive ICT market. Along with general engagement and development practices, LUK also participates in a Group Cash Settled Share Appreciation Right Scheme and has significantly increased its investment in training and development to support improved levels of retention and engagement within its workforce.

Exposure to Foreign Currency Exchange Fluctuations

Whilst the majority of revenues are generated in UK sterling, the cost of sale of a large portion of resold product and services are denominated in US dollars. As well as impacting the cost base within LUK's offerings, this exposes LUK to foreign exchange risk. This does continue to be seen as a significant risk due to current macroeconomic conditions, LUK has fully reviewed the management and tools of foreign exchange exposure in year to minimise exposure, for example by implementing hedging transactions where appropriate.

Exposure to Liquidity risk

The Company has net current assets of £2.1m (2019: net current liabilities of £21.3m) as at year end. Liquidity risk is managed through timing of receipts and payments, and by managing the banking facilities available. If necessary, the Company has the support of its immediate parent company to enable it to meet its ongoing financial commitments. The Company has obtained a letter from its immediate parent confirming that it will continue to provide support for a period of at least twelve months following the date of signing of the financial statements.

Financial risk management

The Company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by continually reviewing the credit limits of existing customers, by running credit checks on new customers, and by closely monitoring payments against contractual agreements.

LOGICALIS UK LIMITED

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

SECTION 172 STATEMENT

The LUK Board is required to understand the views of the Company’s key stakeholders and describe in the annual report how their interests and the matters set out in s172 of the Companies Act 2006 have been considered in Board discussions and decision making. The Board considers that throughout the year, it has acted in a way and made decisions that would most likely promote the success of the Company for the benefit of its members as a whole, with particular regard to:

Section 172 Factor	Engagement activities	References
a) the likely consequences of any decision in the long term	<p>LUK aims to create value for all stakeholders in the short, medium and long term.</p> <p>Understanding the needs and expectations of our stakeholders is fundamental to achieving this.</p>	<p>Refer to the strategic report in particular:</p> <ul style="list-style-type: none"> • Principal activities and business review on page 2 • Principal risks and uncertainties on page 3 <p>We have disclosed the key issues raised by each stakeholder and our response in addressing these issues.</p>
b) the interests of the Company's employees	<p>LUK believes that its employees are a key driver of its success and relies on their knowledge and skills.</p> <p>Employees are aligned with the Company's purpose and are expected to uphold its values. They are a key stakeholder group whose needs and expectations are recognised and focused on.</p>	<p>Refer to:</p> <ul style="list-style-type: none"> • Principal risks and uncertainties on page 3
c) the need to foster the Company's business relationships with suppliers, customers and others	<ul style="list-style-type: none"> • Differentiated global relationship management strengthens partnerships • Active participation at global vendor conferences • Partner enablement programmes to drive global expansion, channel development and scale • Vendor satisfaction surveys • Vendor audits and assessments • Implemented digital enablement technology tools to improve customer experience and speed to market • Customer engagement programmes to ensure customer needs and expectations are met • Strong partnership approach to deliver best results • Customer satisfaction surveys • Vendor incubation accelerates access to emerging technologies 	<p>Refer to</p> <ul style="list-style-type: none"> • Principal risks and uncertainties on page 3 • Going concern on page 7
d) the impact of the Company's operations on the community and the environment	<p>LUK proactively manages its environmental, social and governance impacts and performance. We are committed to supporting the communities in the areas we operate. Datatec is currently in the process of developing and submitting its fifth Carbon Disclosure Project ("CDP") climate response. The CDP is an internationally acclaimed initiative that is driving greater visibility into how companies are managing the risk and opportunities in response to climate change.</p>	<p>Refer to:</p> <ul style="list-style-type: none"> • Environmental and Social and Community references on page 5

STRATEGIC REPORT (CONTINUED)

Section 172 Factor	Engagement activities	References
e) the desirability of the Company maintaining a reputation for high standards of business conduct	<p>LUK believes that good corporate governance contributes to enhanced accountability, fairness and transparency. Good governance exists in an environment where roles and responsibilities are clearly defined, forums are conducive to robust debate and performance is regularly reviewed.</p> <p>LUK is committed to maintaining the highest standards of ethics and business conduct. The Company has a Code of Conduct detailing the standards expected from all LUK employees, including addressing specific matters such as bribery and corruption.</p>	<p>Refer to:</p> <ul style="list-style-type: none"> • Health and Safety section below
f) the need to act fairly as between members of the Company	<p>The Company is a wholly owned subsidiary of Logicalis Group Limited. The application by the Company of the principles of Section 172 of the Companies Act is entirely consistent with the approach of Logicalis Group Limited.</p>	<p>Refer to:</p> <ul style="list-style-type: none"> • Financial Statements of Logicalis Group Limited

Environmental

As a responsible international provider of IT solutions, LUK seeks to measure and minimise the way in which its commercial activities may impact on the environment. LUK is also committed to providing practical advice and support to its customers and vendor partners to help them along the path to ever cleaner and greener IT solutions.

LUK recognises that a responsible attitude to Green IT can lead to significant reductions in energy consumption and carbon emissions. As well as reducing greenhouse gases and operational costs, the technologies it promotes, such as remote working and video and teleconferencing, enables flexible working environments, greater productivity and improved business continuity.

LUK promotes remote working and videoconferencing across regional and home offices to minimise car or air transportation and reduce its carbon footprint.

LUK also support initiatives for reducing power and water usage and monitoring waste reduction in its offices. These range from paper and plastic recycling to water filtration and office lighting efficiency systems.

Social and Community

LUK are committed to improving the quality of life for its local communities. Donations have been made to different charities, through various fundraising events.

Health and safety

LUK recognises its obligation to reduce the risk of injury in the work environment and to provide a clean and safe place to work. LUK undertakes to comply with health and safety regulations as set out in the United Kingdom.

LUK regularly undertakes programmes and procedures to mitigate health and safety risks, such as risk assessments and safety audits. LUK also ensures that the appropriate health and safety training is provided for its employees for the role that they perform, which includes, where appropriate, the training of first aiders and fire marshals.

All employees within LUK annually complete an online Code of Conduct training course which covers the responsibilities of LUK as an employer and all LUK employees with regard to health and safety in the workplace.

LOGICALIS UK LIMITED

STRATEGIC REPORT (CONTINUED)

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'L Dal Bianco', written in a cursive style.

L Dal Bianco
Company Secretary
25 August 2020

LOGICALIS UK LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 29 February 2020.

DIVIDENDS

During the year the Company paid a dividend of £nil to its shareholders (2019: £nil) and £nil dividends were declared (2019: £nil) to its shareholders.

FUTURE DEVELOPMENTS AND FINANCIAL RISK MANAGEMENT

The Company's future developments have been described in the Strategic Report.

DIRECTORS

The Directors who served the Company during the year and to the date of signing are shown on page 1.

GOING CONCERN

Having considered the current uncertain economic environment, the principal risks and uncertainties as described in the Strategic Report and the current plans to continue trading and improve business performance, the Directors believe that the use of the going concern assumption is appropriate. The Company may require support from its immediate parent company, Logicalis Group Limited, to enable it to meet its on-going financial commitments and has obtained a letter from its immediate parent confirming that it will continue to provide support for a period of at least twelve months following the date of signing of the financial statements.

On January 30 2020, the World Health Organisation declared the coronavirus (COVID-19) a "Public Health Emergency of International Concern" and on March 10 2020, declared COVID-19 a pandemic. The impact of COVID-19 could negatively impact LUK, its suppliers, other vendors and customers. This could subsequently impact the Company's financial position and operating results; however the magnitude will be determined by the duration of COVID-19.

LUK will monitor the ongoing developments and be proactive in mitigating the impact. Already LUK have taken various steps to addresses potential effects of the pandemic such as taking advantage of the Coronavirus Job Retention Scheme, Deferral of VAT payments and remote working.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the Company, its results or the state of affairs of the Company in future financial years.

EMPLOYMENT POLICIES

The Company consults and discusses with employees, through briefings and consultative committees, matters likely to affect employees' interests.

Information on matters of concern to employees is given through notices, meetings and reports, including information to help employees achieve a common awareness of the factors affecting the performance of the Company.

The policy of the Company for the employment of disabled persons or employees who become disabled during employment is to provide equal opportunities with other employees to train for and attain any position in the Company, having regard to the maintenance of a safe working environment and the constraints of their disabilities.

CHARITABLE AND POLITICAL DONATIONS

During the year the Company made charitable donations of £1,922 (2019: £6,140), principally to national charities serving the communities in which the Company operates. The Company did not make any political donations during the year (2019: £nil).

POST BALANCE SHEET EVENTS

The Company has determined the impact of COVID-19 as non-adjusting subsequent events. Further information can be found on note 25.

LOGICALIS UK LIMITED

DIRECTORS' REPORT

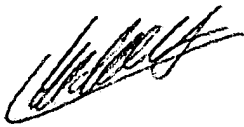
AUDITOR

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Approved by the Board and signed on its behalf by:



L Dal Bianco
Company Secretary
25 August 2020

LOGICALIS UK LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

LOGICALIS UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOGICALIS UK LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Logicalis UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 29 February 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

LOGICALIS UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOGICALIS UK LIMITED (CONTINUED)

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

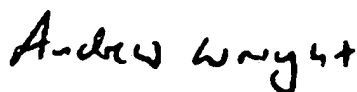
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



Andrew Wright FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Bristol, United Kingdom
25 August 2020

LOGICALIS UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 29 February 2020

	Notes	2020 £'000	2019 £'000
REVENUE	2	55,190	92,209
Cost of sales		<u>(45,194)</u>	<u>(75,355)</u>
GROSS PROFIT		9,996	16,854
Administrative expenses before transformation costs, management charges, goodwill impairment & amortisation		(17,242)	(23,256)
Transformation costs	7	(434)	(2,409)
Management charges paid to parent company		(949)	(1,690)
Goodwill impairment	10	(3,200)	(15,209)
Depreciation of right-of-use assets	4	(1,749)	-
Amortisation of other intangible assets	11	(100)	(100)
Total administrative expenses		<u>(23,674)</u>	<u>(42,664)</u>
OPERATING LOSS	4	(13,678)	(25,810)
Interest receivable and similar income	5	225	82
Interest payable and similar expenses	6	<u>(1,015)</u>	<u>(534)</u>
LOSS BEFORE TAXATION		(14,468)	(26,262)
Tax credit on loss	8	<u>1,989</u>	<u>1,831</u>
LOSS AFTER TAXATION		<u>(12,479)</u>	<u>(24,431)</u>
OTHER COMPREHENSIVE INCOME			
Other Losses		<u>(41)</u>	<u>(245)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(12,520)</u>	<u>(24,676)</u>

All results are derived from continuing activities.

There were no recognised gains or losses in either year other than the results above.

LOGICALIS UK LIMITED

BALANCE SHEET As at 29 February 2020

	Notes	2020 £'000	2019 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,465	6,815
Goodwill	10	-	3,200
Other intangible assets	11	17	117
Investments	12	-	-
Deferred tax assets	18	2,564	1,987
TOTAL NON-CURRENT ASSETS		<u>4,046</u>	<u>12,119</u>
CURRENT ASSETS			
Inventories	13	303	30
Trade and other receivables	14	17,846	22,446
Current tax receivable		1,410	1,901
Cash and cash equivalents		14,535	5,370
TOTAL CURRENT ASSETS		<u>34,094</u>	<u>29,747</u>
TOTAL ASSETS		<u>38,140</u>	<u>41,866</u>
CURRENT LIABILITIES			
Trade and other payables	15	(30,064)	(50,867)
Provisions	17	(1,910)	(176)
TOTAL CURRENT LIABILITIES		<u>(31,974)</u>	<u>(51,043)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>2,120</u>	<u>(21,296)</u>
NON-CURRENT LIABILITIES			
Trade and other payables	15	(1,144)	(1,793)
Provisions	17	(909)	(2,380)
Deferred tax liabilities	18	(3)	(20)
TOTAL NON-CURRENT LIABILITIES		<u>(2,056)</u>	<u>(4,193)</u>
TOTAL LIABILITIES		<u>(34,030)</u>	<u>(55,236)</u>
NET ASSETS/(LIABILITIES)		<u>4,110</u>	<u>(13,370)</u>
EQUITY			
Called up share capital	23	232	232
Share premium		45,127	15,127
Retained earnings		(41,249)	(28,729)
TOTAL EQUITY		<u>4,110</u>	<u>(13,370)</u>

The financial statements of Logicalis UK Limited, registration number 03732397, were approved by the Board of Directors on 25 August 2020.

Signed on behalf of the Board of Directors

Moul Lewis

M Lewis
Director

LOGICALIS UK LIMITED**STATEMENT OF CHANGES IN EQUITY
For the year ended 29 February 2020**

	Called up share capital	Share premium	Retained earnings	Total
	£'000	£'000	£'000	£'000
At 1 March 2018	232	15,127	(4,053)	11,306
Loss for the year	-	-	(24,431)	(24,431)
Other comprehensive loss for the year	-	-	(245)	(245)
At 1 March 2019	232	15,127	(28,729)	(13,370)
Capital contribution	-	30,000	-	30,000
Loss for the year	-	-	(12,479)	(12,479)
Other comprehensive loss for the year	-	-	(41)	(41)
At 29 February 2020	232	45,127	(41,249)	4,110

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 29 February 2020

1. ACCOUNTING POLICIES

Basis of preparation

Logicalis UK Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales.

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework". These accounts have also applied the regulatory changes introduced by "The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015". The principal accounting policies have all been applied consistently throughout the year and the preceding year and are set out below.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 101 (FRS 101) issued by the Financial Reporting Council. Logicalis Group Limited has approved the Company to adopt FRS 101 from 1 March 2015. Accordingly, in the year ended 29 February 2016 the Company has changed its accounting framework from pre-2015 UK GAAP to FRS 101 and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices.

These financial statements were prepared in accordance with 'Financial Reporting Standard 101 Reduced Disclosure Framework' (FRS 101). The Company is a wholly owned subsidiary of Datatec Limited and is included in the consolidated financial statements of Datatec Limited, which are publicly available as detailed in note 24. Consequently, the Company has taken advantage of the following exemptions, in accordance with FRS 101:

IFRS 1 'First-time adoption of IFRS' - Exemption from the requirement of IFRS 1 to present an opening statement of financial position

IFRS 7 'Financial Instruments: Disclosures' - Complete exemption from all of the disclosure requirements of IFRS 7

IFRS 13 'Fair Value Measurement' - Complete exemption from all of the disclosure requirements of IFRS 13

IFRS 15 'Revenue from contracts with customers' - Exemption from the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from contracts with customers

IFRS 16 'Leases' - Exemption from the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 58, 90, 91 and 93

IAS 1 'Presentation of Financial Statements' - Exemption from comparatives for movements on share capital and property, plant and equipment; and exemption from the requirement of IAS 1 to present a third balance sheet

IAS 7 'Statement of cash flows' - Complete exemption from preparing a cash flow statement and related notes

IAS 24 'Related Party Disclosures' - Exemption for remuneration of key management personnel and related party transactions entered into between two or more members of Datatec Limited, provided that any subsidiary party to the transaction is wholly owned by Datatec Limited

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Logicalis Group Limited. Further details of the immediate holding company are included in note 24.

Adoption of new and revised Standards

The following new and revised Standards and Interpretations have been adopted by the Company in the year ending 29 February 2020:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 29 February 2020

1. ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised Standards (continued)

Standards implemented during the year

IFRS 16 ‘Leases’

The new standard, applicable from 1 March 2019, addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 ‘Leases’, and related interpretations. Certain exemptions from recognising leases on the balance sheet are available for leases with terms of 12 months or less or where the underlying asset is of low value.

The most material effect of the new standard is on the Company balance sheet, as a consequence of the majority of the Company’s operating leases being recognised as right-of-use assets and lease liabilities.

Amendments implemented during the year

The following amendments were implemented during the year: Annual Improvements to IFRS Standards 2015–2017 Cycle.

Going concern

Having considered the current uncertain economic environment, the principal risks and uncertainties as described in the Strategic Report and the current plans to continue trading and improve business performance, the Directors believe that the use of the going concern assumption is appropriate. The Company may require support from its immediate parent company, Logicalis Group Limited, to enable it to meet its on-going financial commitments and has obtained a letter from its immediate parent confirming that it will continue to provide support for a period of at least twelve months following the date of signing of the financial statements. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements.

On January 30 2020, the World Health Organisation declared the coronavirus (COVID-19) a “Public Health Emergency of International Concern” and on March 10 2020, declared COVID-19 a pandemic. The impact of COVID-19 could negatively impact LUK, its suppliers, other vendors and customers. This could subsequently impact the Company’s financial position and operating results; however the magnitude will be determined by the duration of COVID-19.

LUK will monitor the ongoing developments and be proactive in mitigating the impact. Already LUK have taken various steps to address potential effects of the pandemic such as taking advantage of the Coronavirus Job Retention Scheme, Deferral of VAT payments and remote working.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the Company, its results or the state of affairs of the Company in future financial years.

Revenue

Revenue arising from the sale of goods is recognised when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specified location and the customer has accepted the products in accordance with the sales contract. Revenue measurement is based on the price specified in the sales contract which represents the amounts net of value added tax and any discounts.

Revenue arising from contracts for the provision of maintenance and managed services is recognised on a straight-line basis over the period of the contract. Contract receipts relating to the future financial periods are included in deferred revenue.

Revenue arising from professional services is recognised in the accounting period in which the services are rendered. For fixed price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services provided. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change and reflected in the Statement of Comprehensive Income in the period in which the circumstances have arisen.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 29 February 2020

1. ACCOUNTING POLICIES (CONTINUED)

Revenue (continued)

Where the Company acts as an agent and is remunerated on a commission basis, the commission is included as revenue. Where the Company acts as a principal, the total value of the business handled is included in revenue.

Share-based payments

The Logicalis Group operates a cash-settled share-based compensation plan. The fair value of the employee services received under such schemes is recognised as an expense in the statement of comprehensive income. Fair value is determined by use of the Black Scholes Option Pricing Model or the Actuarial Binomial Model, as detailed in note 20. The amount to be expensed over the vesting period is determined by reference to the fair value of share incentives. At each balance sheet date, the Group revises its estimates of the number of share incentives that are expected to vest. The impact of the revision of original estimates, if any, is recognised in the statement of comprehensive income, with a corresponding adjustment to creditors (for cash settled share based payment plans), over the remaining vesting period.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation, less any provision for impairment. Depreciation is provided on cost, less estimated residual value, if any, in equal annual instalments over the estimated useful economic lives of the assets. The lives of assets are as follows:

Leasehold improvements	the term of the lease
Fixtures and fittings	2 – 14 years
Plant and machinery	5 years
Software and computer equipment	3 years
Right-Of-Use Assets	the term of the lease

Goodwill

Goodwill is the excess of the fair value of the consideration payable for an acquisition over the fair value of the Company's share of identifiable net assets of a business acquired at the date of acquisition. Fair values are attributed to the separately identifiable assets, liabilities and contingent liabilities that existed at the date of acquisition, reflecting their condition at that date. Adjustments are made where necessary to bring the accounting policies of acquired businesses into alignment with those of the Company.

Goodwill on acquisitions of businesses is stated at cost less any impairment. Goodwill is not amortised but is tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. An impairment charge would be recognised for any amount by which the carrying value of goodwill exceeds its fair value.

Intangible assets

Intangible assets acquired in business combinations are accounted for in accordance with IFRS 3 'Business Combinations'. Such intangible assets are recognised separately if they meet the criteria for recognition. Intangible assets acquired separately from the acquisition of a business are capitalised at cost.

Intangible assets are amortised over their expected useful economic lives unless these are indefinite in which case they are reviewed regularly for impairment in accordance with IAS 38 'Intangible Assets'.

Customer relationships

Customer relationships represent discounted cash flows from estimated recurring revenue streams from the customers of the target business on acquisition by the Group and are amortised over the estimated useful economic lives. The useful life is assessed on an individual basis (which is on average five years). Amortisation is charged on a straight-line basis over the estimated useful life of the assets.

Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 29 February 2020

1. ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Policy Applicable from 1 March 2019

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, using the effective interest method, and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset when:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

For leases that were previously classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Company has elected to apply the low-value lease recognition exemption.

Policy Applicable before 1 March 2019

In the comparative period, as a lessee the Company classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 29 February 2020

1. ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Policy Applicable before 1 March 2019 (continued)

Assets held under other leases were classified as operating leases and were not recognised in the Company's Statement of Financial Position. Payments made under operating leases were recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs. Provision is made for obsolete, slow-moving or defective items where appropriate.

Foreign exchange

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling at the date of transaction. Exchange differences are taken into account in arriving at operating profit.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The Company operates a defined contribution pension scheme. The cost of providing this benefit is charged to the Income Statement in the period to which the contributions relate. The Company has no legal or constructive obligations to make further pension payments.

Supplier funding

Vendor allowances and credits that relate to the Company's merchandising activities are recorded as a reduction of cost of sales as they are earned according to the underlying agreement with the vendor. Allowances consist primarily of promotional allowances and quantity discounts. Amounts received under promotional or other merchandising allowance agreements that require specific performance are recognised when the performance is satisfied, the amount is fixed and determinable and the collection is reasonably assured.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Taxation

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

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 29 February 2020

1. ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

The Company enters into derivative financial instruments to manage its exposure to foreign exchange risks. Derivatives are initially recognised at the fair value and are subsequently re-measured to fair value at each balance sheet date. The resulting gain or loss is recognised in the Statement of Comprehensive Income and is included in the "Other Gains and Losses" line.

Critical judgements in applying the Company's accounting policies

In the process of applying the Company's accounting policies, which are described above, management has made no critical judgements that have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations as detailed below.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash generating units to which goodwill has been allocated. The value-in-use calculation requires the Company to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

The Company prepares a valuation based on various scenarios and each of these scenarios have different growth rate assumptions. The growth rate assumptions are in relation to periods covered by Board approved plans. Other key assumptions are the discount rate, where the Company uses its corporate weighted average cost of capital and the conversion to cash ratio of future profits. The valuation models all assume steady growth in perpetuity. If any of these assumptions were to change materially, the resulting valuation is likely to be different.

Based on the estimated value-in-use of the cash generating units to which the goodwill has been allocated, the Company has impaired £3.2m (2019: £15.2m).

Recognition of deferred tax

Estimates made in determining the probability of future taxable income thereby justifying the recognition of deferred tax assets included in the statement of financial position (disclosed in Note 18).

LOGICALIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 29 February 2020

2. REVENUE

	2020 £'000	2019 £'000
Revenue by destination		
United Kingdom	47,706	87,003
Rest of Europe	6,601	4,938
Other	883	268
	<u>55,190</u>	<u>92,209</u>
Revenue by type		
Sale of goods	27,702	48,300
Professional and other services	27,488	43,909
	<u>55,190</u>	<u>92,209</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2020 £'000	2019 £'000
Directors' remuneration		
Emoluments	479	369
Pension contributions	25	29
Share-based payments	-	43
Termination payments	-	118
	<u>504</u>	<u>559</u>
Remuneration of the highest paid Director	<u>245</u>	<u>413</u>
	No.	No.
Number of Directors who are members of defined contribution pension scheme	<u>2</u>	<u>2</u>

Three Directors (2019: Three Directors) of the Company are also Directors of Logicalis Group Limited or Datatec Limited. No amounts were allocated to Logicalis UK Limited in respect of their services as their services to Logicalis UK Limited represented a negligible portion of their time. Details of their emoluments are disclosed in the consolidated accounts of Logicalis Group Limited, the Company's immediate holding company, or Datatec Limited, the ultimate parent company. The amount of Directors' fees allocated to the Company is £nil (2019: £nil).

	2020 No.	2019 No.
Monthly average number of persons employed		
Services delivery	66	126
Sales and distribution	86	117
Administration	45	64
	<u>197</u>	<u>307</u>

LOGICALIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 29 February 2020

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

	2020	2019
	£'000	£'000
Staff costs during the year (including Directors)		
Wages and salaries	13,552	20,899
Social security costs	1,359	2,053
Other pension costs (note 22)	620	818
Share based payments charge for the year (note 20)	35	72
	<u>15,566</u>	<u>23,842</u>

4. OPERATING LOSS

	2020	2019
	£'000	£'000
Operating loss:		
Depreciation of owned tangible assets	6,522	2,193
Depreciation of right-of-use assets	1,749	-
Amortisation of other intangible assets	100	100
Inventory recognised as an expense	21,908	40,876
Rentals under operating leases:		
Hire of plant & machinery	139	167
Property	-	1,401
Other	-	1
Foreign exchange gain on trading balances	(200)	(413)
	<u>115</u>	<u>113</u>
Fees payable for the audit of the Company's annual financial statements	115	113
	<u>115</u>	<u>113</u>
Total audit fees	115	113
	<u>-</u>	<u>-</u>
Total non-audit fees	-	-
	<u>115</u>	<u>113</u>
Total fees payable to Company's auditor	115	113

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020	2019
	£'000	£'000
Other income	225	82
	<u>225</u>	<u>82</u>

LOGICALIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 29 February 2020

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020 £'000	2019 £'000
Bank interest	502	116
Finance lease	163	191
Interest expense for right-of-use assets	158	-
Interest on amounts owed to fellow subsidiaries	56	87
Interest on amounts owed to holding company	51	-
Other	85	140
	<u>1,015</u>	<u>534</u>

7. TRANSFORMATION COSTS

	2020 £'000	2019 £'000
Transformation costs	434	2,409
	<u>434</u>	<u>2,409</u>

During the year the Company has incurred £0.4m (2019: £2.4m) of expenses associated with the ongoing transformation of its business to adapt to our customers' needs. This transformation involved the restructuring of the scope of business undertaken by significantly reducing the go-to-market offering in the product and services businesses and enabling sales professionals to sell the re-designed service portfolio through creation of a Customer Success Team. We have refocussed the business around two key pillars, Communication, Collaboration and Security, and Platforms.

8. TAX CREDIT ON LOSS

	2020 £'000	2019 £'000
United Kingdom corporation tax credit for the year	(1,401)	(1,893)
Adjustments in respect of prior periods	6	(314)
Total current tax credit	<u>(1,395)</u>	<u>(2,207)</u>
Deferred tax (credit)/charge (note 18)	(594)	376
Tax credit on loss	<u>(1,989)</u>	<u>(1,831)</u>

LOGICALIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 29 February 2020

8. TAX CREDIT ON LOSS (CONTINUED)

The standard rate of tax for the year, based on the average UK standard rate of corporation tax is 19.0% (2019: 19.0%). The tax charge is different from the standard rate for the reasons set out in the following reconciliation.

	2020 £'000	2019 £'000
Loss before tax	(14,468)	(26,262)
	£'000	£'000
Tax on loss at standard rate of 19.0% (2019: 19.0%)	(2,749)	(4,990)
<i>Factors affecting charge for the year:</i>		
Expenses not deductible for tax purposes	46	31
Foreign tax rate difference	9	8
Adjustments in relation to share-based payments	7	14
Goodwill impairment	608	2,890
Change in rate of deferred tax	-	231
UK tax rate differential	71	-
Adjustments to tax charge in respect of prior periods	19	(15)
Current tax credit on loss	(1,989)	(1,831)

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Fixtures & fittings	Plant & machinery	Software & computer equipment	Right-Of- Use Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 March 2019	9,979	1,431	4,875	11,417	-	27,702
Additions	-	4	-	680	7,989	8,673
Disposals	(90)	(93)	(33)	(792)	(6,745)	(7,753)
Transfers	-	-	(2)	2	-	-
At 29 February 2020	9,889	1,342	4,840	11,307	1,244	28,622
Accumulated depreciation						
At 1 March 2019	6,506	1,346	2,938	10,097	-	20,887
Charge for the year	3,221	71	1,930	1,300	1,749	8,271
Disposals	(90)	(92)	(33)	(792)	(994)	(2,001)
Transfers	-	-	(2)	2	-	-
At 29 February 2020	9,637	1,325	4,833	10,607	755	27,157
Net book value						
At 29 February 2020	252	17	7	700	489	1,465
At 28 February 2019	3,473	85	1,937	1,320	-	6,815

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 29 February 2020

10. GOODWILL

	2020 £'000	2019 £'000
Cost		
At 1 March and 29/28 February	27,376	27,376
Accumulated impairment		
At 1 March	24,176	8,967
Charge for the year	3,200	15,209
At 29/28 February	27,376	24,176
Net book value		
At 29/28 February	-	3,200

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated to a single cash generating unit for the Company as a whole as this represents the lowest level within the Company at which goodwill is monitored for internal management purposes.

The Company tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired. The recoverable amount of goodwill is determined from value-in-use. The key assumptions for the value-in-use calculations are those regarding discount rates and growth rates. Management estimates discount rates using after tax rate of returns that reflect current market assessments of the time value of money and the risks specific to the various cash generating units to which goodwill is attributable. The growth rates are based on industry growth forecasts.

The Company prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next year and the plans for the following two years and extrapolates cash flows in perpetuity based on an estimated growth rate of 2.0% (2019: 2.0%).

The rate used to discount the forecast cash flows is 13.06% (2019: 12.97%).

LOGICALIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 29 February 2020

11. OTHER INTANGIBLE ASSETS

Customer relationships	2020	2019
	£'000	£'000
Cost		
At 1 March and 29/28 February	500	500
	<u>500</u>	<u>500</u>
Accumulated amortisation		
At 1 March	383	283
Charge for the year	100	100
	<u>483</u>	<u>383</u>
At 29/28 February	483	383
	<u>483</u>	<u>383</u>
Net book value		
At 29/28 February	17	117
	<u>17</u>	<u>117</u>

12. INVESTMENTS

	2020	2019
	£'000	£'000
Cost and net book value	-	-
	<u>-</u>	<u>-</u>

The subsidiary undertakings at 29 February 2020 are shown below.

Subsidiary	Proportion of shares held	
	2020	2019
White Label Intelligence Limited (incorporated in England and Wales)	0%	0%

White Label Intelligence Limited was dissolved on 22 January 2019.

13. INVENTORIES

	2020	2019
	£'000	£'000
Finished goods and goods for resale	303	30
	<u>303</u>	<u>30</u>

There is no material difference between the balance sheet value of inventories and their replacement cost.

LOGICALIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 29 February 2020

14. CURRENT ASSETS

	2020 £'000	2019 £'000
Trade and other receivables		
Trade receivables	8,959	11,229
Prepayments	6,481	7,049
Accrued income	2,092	3,711
Amounts owed by fellow group undertakings	188	174
Other receivables	126	283
	<u>17,846</u>	<u>22,446</u>

The costs of assets acquired during the year for onwards leasing was £nil (2019: £nil).

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

15. CURRENT LIABILITIES

	2020 £'000	2019 £'000
Trade and other payables		
Trade payables	11,581	28,241
Accruals and other creditors	10,309	14,252
Deferred Revenue	5,942	5,540
Amounts owed to fellow group undertakings	941	1,446
Derivative financial instruments	88	106
Other taxes and social security	513	853
Obligations under leases (note 16)	690	429
	<u>30,064</u>	<u>50,867</u>

The Company recognised £5.5m of revenue from the deferred revenue balance as at 28 February 2019.

Amounts owed to fellow group undertakings are unsecured, interest free and repayable on demand.

The Company had open participating forward exchange contracts for the purchase of South African Rands. At balance sheet date these contracts are fair valued.

	2020 £'000	2019 £'000
Amounts falling due after more than one year		
Deferred Revenue	1,066	1,736
Obligations under leases (note 16)	78	57
	<u>1,144</u>	<u>1,793</u>

LOGICALIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 29 February 2020

17. PROVISIONS

	2020 £'000	2019 £'000
Amounts falling due within one year		
Dilapidations Provision	76	24
Onerous Provision	1,834	-
Onerous Lease Provision	-	152
	<u>1,910</u>	<u>176</u>

Amounts falling due after more than one year		
Dilapidations Provision	769	2,380
Onerous Provision	140	-
	<u>909</u>	<u>2,380</u>

Dilapidations Provision	2020 £'000	2019 £'000
At 1 March	2,404	2,314
(Credited)/Charged to the statement of comprehensive income	(1,559)	90
At 29/28 February	<u>845</u>	<u>2,404</u>

The provision for property dilapidations has been made by the Company against the expected cost of restoring various leased properties to their original condition, as required under the terms of their lease agreements. The amounts payable are advised by the Company's professional property advisors and will be settled between 2020 and 2025 as the relevant lease expire.

Onerous Provision	2020 £'000	2019 £'000
At 1 March	-	-
Charged to the statement of comprehensive income	1,974	-
At 29/28 February	<u>1,974</u>	<u>-</u>

An onerous provision of £2.0m was recognised for the estimated future losses relating to one of the Company's Datacentres being treated as a standalone cash generating unit.

Onerous Lease Provision	2020 £'000	2019 £'000
At 1 March	152	478
Utilisation of onerous lease provision	(152)	(478)
Charged to the statement of comprehensive income	-	152
At 29/28 February	<u>-</u>	<u>152</u>

The onerous lease provision was utilised within twelve months.

LOGICALIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 29 February 2020

18. DEFERRED TAXATION

	2020 £'000	2019 £'000
Movement on deferred tax asset in the year:		
Deferred tax at 1 March	1,967	2,343
Charge/(Credit) to the statement of comprehensive income	594	(376)
	<u>2,561</u>	<u>1,967</u>
Deferred tax at 29/28 February	<u>2,561</u>	<u>1,967</u>
	2020 £'000	2019 £'000
Analysis of deferred tax:		
Tax losses	1,196	1,196
Difference between capital allowances and depreciation	1,165	340
Goodwill and intangibles	(3)	(20)
Other timing differences	203	451
	<u>2,561</u>	<u>1,967</u>
Recognised in the balance sheet as:		
Deferred tax liabilities	(3)	(20)
Deferred tax asset	2,564	1,987
	<u>2,561</u>	<u>1,967</u>

A reduction in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantially enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was substantially enacted on 6 September 2016. Deferred tax assets and liabilities have been calculated at the rate of 17%. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment is after the balance sheet date, deferred tax balances as at 29 February 2020 continue to be measured at a rate of 17%.

19. CONTINGENT LIABILITIES

The Company has a cross guarantee with Logicalis Group Limited for a pooling facility provided by HSBC Bank plc. The maximum potential liability at the balance sheet date was £nil (2019: £nil).

On 30 January 2020, Logicalis UK Limited entered into a \$155.0m senior facilities agreement as an original guarantor to a shared and cross-collateralised facility with the Logicalis Limited group of companies and Logicalis Group Limited.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 29 February 2020

20. SHARE-BASED PAYMENTS

Cash settled share-based payment plans

THE LOGICALIS GROUP CASH SETTLED SHARE APPRECIATION RIGHT SCHEME 2005 AND 2014 ("THE SAR SCHEME")

During the 2006 financial year, an executive incentive scheme was established in the form of a cash settled share appreciation right ("SAR") scheme. Under the terms of the SAR Scheme, SARs are issued annually to senior managers and Directors within the Logicalis group. The scheme is cash settled which requires an annual valuation of the Logicalis group to mark the liability to the valuation share price and to establish both a grant price for new awards and the exercise price for vested SARs. 50% of the SARs from the 2005 scheme vest after 24 months and the remainder after 36 months from the date of grant. All rights lapse if the SARs are not exercised by the end of the seventh year (2019: seventh year). There are certain headline earnings performance conditions which govern the vesting of each award. During the 2015 financial year, a similar scheme was introduced to replace the 2005 scheme. The terms of the new SAR Scheme are broadly similar although 100% of the SARs from the 2014 scheme vest after 36 months from the date of grant.

Details of SARs granted to Company employees under the SAR Scheme and outstanding are as follows:

	2020		2019	
	No. SARs	Weighted average grant price \$	No. SARs	Weighted average grant price \$
Outstanding at beginning of the year	271,945	4.41	332,846	4.40
Granted during the year	55,812	4.92	68,060	4.84
Transferred (to)/from Group Companies	-	-	(24,094)	3.70
Forfeited during the year	(87,658)	4.45	(49,867)	5.57
Exercised during the year	-	-	(55,000)	4.15
Outstanding at the end of the year	<u>240,099</u>	<u>4.51</u>	<u>271,945</u>	<u>4.41</u>
Exercisable at the end of the year	<u>36,000</u>	<u>5.05</u>	<u>36,000</u>	<u>5.05</u>

The grant price represents the amount to be deducted from the price at which each SAR is exercised. The weighted average grant price has been expressed in US Dollars (\$) as that is the currency of the SAR Scheme.

During the year, the thirteenth annual grant of SARs under the SAR Scheme was made with an effective grant date of 1 July 2019. The aggregate of the estimated fair value of the SARs granted on that date which are still outstanding at 29 February 2020 is \$nil. In the year to 28 February 2019, SARs were granted with an effective grant date of 1 July 2018. The aggregate of the estimated fair value of the SARs granted on that date which are still outstanding at 28 February 2019 is \$14,293.

The SARs outstanding at 29 February 2020 had a range of grant prices from \$3.70 to \$5.05 (2019: \$3.70 to \$5.57) and a weighted average remaining contractual life of 53.86 months (2019: 57 months).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 29 February 2020

20. SHARE-BASED PAYMENTS (CONTINUED)

The inputs into the Black-Scholes model are as follows for SARs granted and still outstanding at the year-end:

	2020	2019
Weighted average grant price at valuation date	\$4.5092	\$4.4058
Weighted average exercise price at valuation date	\$5.0500	\$5.0500
Expected volatility	35.0%	35.0%
Expected life	6.34 years	6.34 years
Risk free rate	1.060%	2.590%
Expected dividends	0.0%	0.0%

As the Company is not listed, the expected volatility was determined using a weighted average volatility of the share price of several comparable listed companies. The expected life is the average expected period to exercise. The risk free rate of return has been calculated using the US swap curve at 29 February 2020, as obtained from the US Federal Reserve.

The Company recognised a total expense of £35,222 in relation to the SAR Scheme in the financial year (2019: £72,086 expense). The balance sheet liability in relation to the SAR Scheme at 29 February 2020 was £208,490 (2019: £173,268).

21. ADOPTION OF IFRS 16

The impact of the adoption of IFRS 16 in the year ending 29 February 2020 is disclosed below.

Reconciliation between operating lease commitments and lease liabilities recognised at the date of initial application:

	Land and buildings	Office furniture & equipment	Total
Operating lease commitments disclosed as at 28 February 2019	11,982	101	12,083
Discounted using the lessees' incremental borrowing rates at the date of initial application	(591)	-	(591)
Less: low-value leases recognised on a straight-line basis as expense	-	(101)	(101)
Less: translation and other	(4,439)	-	(4,439)
Lease liabilities recognised as at 1 March 2019	6,952	-	6,952

Lease liabilities as at 28 February 2019 amounted to £0.5 million. Total lease liabilities as at 1 March 2019 amounted to £7.5 million.

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position as at 28 February 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets as at 1 March 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 29 February 2020

21. ADOPTATION OF IFRS 16 (CONTINUED)

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessees’ incremental borrowing rates as at 1 March 2019.

The change in accounting policy affected the following items in the Statement of Financial Position:

	1 March 2019 £'000
Assets	
Right-of-use assets	7,289
	<u>7,289</u>
Equity and Liability	
Finance lease liabilities	(6,952)
	<u>(6,952)</u>

22. PENSIONS

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £619,905 (2019: £817,634). Contributions totalling £92,740 (2019: £140,412) were payable to the fund at the balance sheet date and are included in creditors.

23. CALLED UP SHARE CAPITAL

	2020 £'000	2019 £'000
Authorised		
17,570,780 ordinary shares of £0.05 each	879	879
	<u>879</u>	<u>879</u>
Allotted, called up and fully paid		
4,645,666 (2019: 4,645,665) ordinary shares of £0.05 each	232	232
	<u>232</u>	<u>232</u>

24. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The ultimate parent company and controlling party and largest group of which the Company is a member for which financial statements are prepared is Datatec Limited, a company incorporated and registered in the Republic of South Africa. Copies of the ultimate parent company’s financial statements can be obtained from the registered office: Datatec Limited, P.O. Box 76226, Wendywood 2144, South Africa. The immediate holding company and parent of the smallest group of which the Company is a member for which financial statements are prepared is Logicalis Group Limited, a company incorporated in England & Wales, copies of Logicalis Group Limited’s financial statements can be obtained from the registered office: 110 Buckingham Avenue, Slough, Berkshire, SL1 4PF.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 29 February 2020

25. POST BALANCE SHEET EVENTS

Since 29 February 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and close of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 29 February 2020 have not been adjusted to reflect their impact. The duration and impact of COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.