

Registered number: 11647415

Project 131 Midco 1 Limited

Unaudited Annual Report and Financial Statements

For the period from incorporation on 29 October 2018 to 31 December 2019

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Directors' report

The directors present their first report and audited financial statements for the period from incorporation on 29 October 2018 to 31 December 2019.

The company was incorporated on 29 October 2018 as Aghoco 1791 Limited, and changed its name to Project 131 Midco 1 Limited on 6 December 2018.

Principal Activity

The principal activity of the company is that of a holding company.

Directors

The directors who served the company during the period and up to the date of this report were as follows:

Inhoco Formations Limited (appointed 29 October 2018, resigned 6 December 2018)

A G Secretarial Limited (appointed 29 October 2018, resigned 6 December 2018)

Roger Hart (appointed 29 October 2018, resigned 6 December 2018)

Carl Wormald (appointed 6 December 2018, resigned 20 December 2018)

Lawrence Jones (appointed 20 December 2018, resigned on 6 May 2020)

Gail Jones (appointed 20 December 2018, resigned on 6 May 2020)

Catherine Greening (appointed 20 December 2018)

Irina Hemmers (appointed 20 December 2018)

Directors' indemnities

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


Going concern

The Group has sufficient financial resources, together with contracts with a large number of customers across different industries. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully. Whilst there is uncertainty due to the COVID-19 pandemic, the directors have undertaken a rigorous assessment on the potential impact on profitability and liquidity of the Group, as documented in the strategic report of the financial statements of the ultimate parent, UKFast Group Limited. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Events after the balance sheet date

Following the end of the financial period, in May 2020, the company's ultimate parent, UKFast Group Limited was acquired by Project Mountain Bidco Limited, a company ultimately majority owned by funds controlled by Inflexion Private Equity. In September 2020, the Group secured additional long-term funding through new 7 year bank facilities.

Approved by the Board on 29 October 2020 and signed on its behalf by:



Catherine Greening
Director

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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the 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.

Statement of total comprehensive income

For the period from incorporation on 29 October 2018 to 31 December 2019

	<i>Note</i>	2019
		£000
Turnover		-
Cost of sales		-
Gross profit		-
Administrative expenses		-
Operating profit		-
Interest receivable	2	12,322
Interest payable and similar expenses	3	(13,048)
Loss before taxation		(726)
Taxation	4	-
Loss for the financial period		(726)

All activities of the company are continuing.

The company has no recognised gains or losses other than the loss for the financial period as shown above.

Project 131 Midco 1 Limited

Balance sheet

As at 31 December 2019

	<i>Notes</i>	2019 £000
Fixed assets		
Intangible assets		-
Tangible assets		-
Current assets		
Debtors	6	328,368
Cash at bank and in hand		-
		<u>328,368</u>
Creditors: amounts falling due within one year	7	<u>(220,575)</u>
Net current assets		<u>107,793</u>
Total assets less current liabilities		107,793
Creditors: amounts falling due after more than one year	8	(108,519)
Net assets		<u><u>(726)</u></u>
Capital and reserves		
Called up share capital	9	-
Share premium		-
Profit and loss account		(726)
Shareholders' funds		<u><u>(726)</u></u>

For the financial period ending 31 December 2019 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. Under this section, UKFast Group Limited provides a parent guarantee for the company over its outstanding liabilities.

The members have not required the company to obtain an audit of its financial statements for the period in question in accordance with section 476 of Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements

The financial statements of Project 131 Midco 1 Limited (registered number 11647415) were approved by the board of directors and authorised for issue on 29 October 2020. They were signed on its behalf by:



Catherine Greening
Director

Notes to the financial statements

For the period from incorporation on 29 October 2018 to 31 December 2019

Notes to the financial statements

For the period from incorporation on 29 October 2018 to 31 December 2019

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current financial period. These financial statements present the company's financial results and position for the period from incorporation on 29 October 2018 to 31 December 2019.

General information and basis of accounting

Project 131 Midco 1 Limited is a company incorporated in the United Kingdom under the Companies Act. The Company is a private company limited by shares and is registered in England and Wales. The address of the registered office is located at 1 Archway, Birley Fields, Manchester, M15 5QJ.

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Project 131 Midco 1 Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

Project 131 Midco 1 meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the following disclosure exemptions:

- The requirement to present a statement of cash flows and related notes
- The requirement to disclose key management compensation

Equivalent disclosures are included in the consolidated financial statements of UKFast Group Limited, a company incorporated in England and Wales, in which the company's financial statements for the period ended 31 December 2019 are consolidated.

The company has taken advantage of an exemption from disclosing transactions with wholly-owned subsidiaries of UKFast Group Limited.

Consolidated financial statements

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared consolidated financial statements and it is exempt from the requirement to do so under Section 400 of the companies Act 2006.

Going concern

The directors have performed an extensive Going Concern review of the ultimate parent, UKFast Group Limited and its subsidiaries. At 31 December 2019 the Group was in a net current asset position of £2,430,000 and is funded by a combination of cash and cash equivalents of £11,170,000, investor loan notes totalling £111,234,000 and a bank loan of £100,000,000. Investor loan notes and bank loans are committed until 2026. The directors have reviewed the latest trading forecasts, which include the directors' current expectations of the impacts of COVID-19 and have made assessments under a number of stressed scenarios including a reverse stress test, and are confident that the Group will continue to generate trading cash in excess of its financing obligations and maintain compliance with financial covenants for the foreseeable future. The Group has sufficient financial resources, together with contracts with a large number of customers across different industries.

Notes to the financial statements

For the period from incorporation on 29 October 2018 to 31 December 2019

1. Accounting policies (continued)

Going concern (continued)

As a consequence, the directors believe that the Group is well placed to manage its business risks successfully.

As described in note 11, subsequent to the year end, Inflexion increased its shareholding in the Group to c.75%. This was effected through the acquisition of 100% of the share capital of UKFast Group Limited by Project Mountain Bidco Limited. The cash consideration to effect this acquisition was funded via additional loan notes repayable in 2026 along with refinancing of the bank loan facility held by the Group, which has increased to £140,000,000 and is not repayable until 2027. The impact of these transactions has been considered by the Group with no significant adverse effects noted on the forecast cashflows of the Group throughout the forecast period.

On this basis the company's directors have a reasonable expectation that the company and the Group will continue for the foreseeable future, being not less than 12 months from the date of approval of these financial statements. Whilst there is uncertainty due to the COVID-19 pandemic, the directors have undertaken a rigorous assessment on the potential impact on profitability and liquidity of the Group, and concluded that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Financial instruments

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

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

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

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

Debt instruments that comply with all of the condition of paragraph 11.9 of FRS 102 are classified as 'basic'. For debt instruments that do not meet the conditions of FRS 102.11.9, the company considers whether the debt instrument is consistent with the principle in paragraph 11.9A of FRS 102 in order to determine whether it can be classified as basic. Instruments classified as 'basic' financial instruments are measured subsequently at amortised cost using the effective interest method. Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting conditions of being 'basic' financial instruments are measured at fair value through profit or loss.

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

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Notes to the financial statements

For the period from incorporation on 29 October 2018 to 31 December 2019

1. Accounting policies (continued)

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

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability, then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at net proceeds. After initial recognition debt is increased by the finance cost in respect of the reporting period and reduced by repayments made in the period.

Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

Taxation

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

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

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

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

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

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

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

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

Notes to the financial statements

For the period from incorporation on 29 October 2018 to 31 December 2019

1. Accounting policies (continued)

Taxation (continued)

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

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

Related party transactions

In accordance with Section 33 of FRS 102, the Company has not disclosed details of transactions with fellow wholly owned undertakings within the UK Fast Group Limited group of companies.

2. Interest receivable

	2019 £000
Interest received	12,322
	<u>12,322</u>

3. Interest payable and similar expenses

	2019 £000
Interest payable on loan notes	12,613
Amortisation of loan note arrangement fees	435
	<u>13,048</u>

4. Tax on profit

(a) Tax charge for the period

The tax charge is made up as follows:

	2019 £000
Current tax:	
UK corporation tax on the profit for the period	-
Total current tax charge (note 4(b))	<u>-</u>

(b) Factors affecting tax charge for the period

At the Summer Budget 2015, the government announced legislation setting the Corporation Tax main rate at 19% for the years starting the 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020.

Notes to the financial statements

For the period from incorporation on 29 October 2018 to 31 December 2019

4. Tax on profit (continued)

(b) Factors affecting tax charge for the period (continued)

In the Budget 2016, the government announced a further reduction to the Corporation Tax main rate for the year starting 1 April 2020, setting the rate at 17%. Since the rate reduction to 17% was enacted by the balance sheet date, deferred tax has therefore been provided at 17%.

In the 2020 Budget it was announced that the corporation tax main rate would remain at 19% for the financial year beginning 1 April 2020, rather than reducing to 17% from 1 April 2020. The charge to corporation tax and the main rate will also be set at 19% for the financial year beginning 1 April 2021.

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

	2019 £000
Loss before tax	<u>(726)</u>
Loss multiplied by standard rate of corporation tax in the UK of 19%	(138)
<i>Effects of:</i>	
Expenses not deductible for tax purposes	496
Effects of group relief and other reliefs	(1,783)
Deferred tax not recognised	<u>1,425</u>
Total tax charge for the period (note 4(a))	<u>-</u>

5. Investments

	2019 £
Subsidiary undertakings	<u>£1</u>
	<u>£1</u>

Notes to the financial statements

For the period from incorporation on 29 October 2018 to 31 December 2019

5. Investments (continued)

The company has investments in the following subsidiary undertakings.

Subsidiary	Registered office	Principal activity	Holding
Project 131 Midco 2 Limited +	Archway 1, Birley Fields, Manchester, M15 5QJ	Holding company	100%
UKFast Leaders Limited	Archway 1, Birley Fields, Manchester, M15 5QJ	Holding company	100%
UKFast.Net Limited	Archway 1, Birley Fields, Manchester, M15 5QJ	Hosting services	100%
Secure Information Assurance Limited	Archway 1, Birley Fields, Manchester, M15 5QJ	Hosting services	100%
Secure Information Assurance Holdings Limited	Archway 1, Birley Fields, Manchester, M15 5QJ	Holding company	100%
Clear Cloud Integration Limited	Archway 1, Birley Fields, Manchester, M15 5QJ	Cloud solutions provider	100%
UKFast Inc	913 N Market Street, Suite 200, Wilmington, Delaware, 19801	Dormant company	100%
DDOS X Ltd	Archway 1, Birley Fields, Manchester, M15 5QJ	Dormant company	100%
eCloud Burst Ltd	Archway 1, Birley Fields, Manchester, M15 5QJ	Dormant company	100%
eCloud Flex Ltd	Archway 1, Birley Fields, Manchester, M15 5QJ	Dormant company	100%
eCloud Global Ltd	Archway 1, Birley Fields, Manchester, M15 5QJ	Dormant company	100%
eCloud Hybrid Ltd	Archway 1, Birley Fields, Manchester, M15 5QJ	Dormant company	100%
eCloud Private Ltd	Archway 1, Birley Fields, Manchester, M15 5QJ	Dormant company	100%
eCloud Public Ltd	Archway 1, Birley Fields, Manchester, M15 5QJ	Dormant company	100%
eCloud Vault Ltd	Archway 1, Birley Fields, Manchester, M15 5QJ	Dormant company	100%
FastCloud Backup Ltd	Archway 1, Birley Fields, Manchester, M15 5QJ	Dormant company	100%
FastDesk Ltd	Archway 1, Birley Fields, Manchester, M15 5QJ	Dormant company	100%

Notes to the financial statements

For the period from incorporation on 29 October 2018 to 31 December 2019

FastOffice Ltd	Archway 1, Birley Fields, Manchester, M15 5QJ	Dormant company	100%
MyUkFast	Archway 1, Birley Fields, Manchester, M15 5QJ	Dormant company	100%
ProProtection Ltd	Archway 1, Birley Fields, Manchester, M15 5QJ	Dormant company	100%
SafeDNS Ltd	Archway 1, Birley Fields, Manchester, M15 5QJ	Dormant company	100%
ThinkFaster Ltd	Archway 1, Birley Fields, Manchester, M15 5QJ	Dormant company	100%
UKFast Ecommerce Ltd	Archway 1, Birley Fields, Manchester, M15 5QJ	Dormant company	100%
UKFast DRAAS Ltd	Archway 1, Birley Fields, Manchester, M15 5QJ	Dormant company	100%
UKFast CAAS Ltd	Archway 1, Birley Fields, Manchester, M15 5QJ	Dormant company	100%
UKFast LtAAS Ltd	Archway 1, Birley Fields, Manchester, M15 5QJ	Dormant company	100%
One Click Apps Ltd	Archway 1, Birley Fields, Manchester, M15 5QJ	Dormant company	100%
Faststore Ltd	Archway 1, Birley Fields, Manchester, M15 5QJ	Dormant company	100%
UKFast Enterprise Ltd	Archway 1, Birley Fields, Manchester, M15 5QJ	Dormant company	100%
UKFast Prosecure Ltd	Archway 1, Birley Fields, Manchester, M15 5QJ	Dormant company	100%

+ Indicates that equity interest is held directly by Project 131 Midco 1 Limited. Equity interest in other subsidiary undertakings are held indirectly.

6. Debtors

2019

£000

Amounts owed by Group undertakings

328,368

328,368

Notes to the financial statements

For the period from incorporation on 29 October 2018 to 31 December 2019

7. Creditors: amounts falling due within one year

	2019
	£000
Amounts due to Group undertakings	220,573
Other creditors	2
	<u>220,575</u>

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

Loans repayable, included within creditors, are analysed as follows:

	2019
	£000
Loan notes payable including accrued interest	111,234
Issue costs on loan notes	(2,715)
	<u>108,519</u>

The loan notes have a term of 7 years and 6 months with an inception date of 20 December 2018 and a redemption date of 20 June 2026. Interest is charged at an interest rate of 10% per annum.

Borrowings are repayable as follows:

	2019
	Loan Notes
	£000
Within one year	-
In two to five years	-
Over five years	111,234
	<u>111,234</u>

9. Called up share capital and reserves

	2019
	£
Called up share capital not paid	
1 ordinary share of £1	£1
	<u>£1</u>

Notes to the financial statements

For the period from incorporation on 29 October 2018 to 31 December 2019

10. Related party transactions

There were no related party transactions nor balances held during the period.

11. Subsequent events

On 14 May 2020, Inflexion increased its shareholding in the Group to c.75%. This was effected through the acquisition of 100% of the share capital of UKFast Group Limited by Project Mountain Bidco Limited. The ultimate parent company is now Project Mountain Holdco Limited.

On 8 September 2020, the Group agreed new banking facilities of £140m with Baring Asset Management Limited. The new facilities have a term of 7 years and interest is payable at LIBOR plus a margin. The proceeds of the new bank facilities were used to repay in full the bank facilities that were in place at the balance sheet date and redeem a portion of the loan notes that were outstanding at the balance sheet date.

The impact on the Group of the COVID-19 pandemic and its response, which arose post the balance sheet date, is considered in the Strategic report contained within the consolidated accounts of UKFast Group Limited. At this stage, the impact on the Group's activities and results is limited. For the period ended 31 December 2019, the financial reporting effects of the COVID-19 outbreak are considered to be non-adjusting events. Further details are disclosed in note 1 to these financial statements.

12. Controlling party

The company is a subsidiary of UKFast Group Limited, a company registered in England and Wales, which is the ultimate parent company.

The largest group in which the company is consolidated is that headed by UKFast Group Limited. The consolidated financial statements of the Group are available to the public and may be obtained from Companies House.

At the balance sheet date, Inflexion Private Equity Partners LLP held 33.2% of the share capital of UKFast Group Limited. Lawrence and Gail Jones each held 32.5%, with the remaining shareholding being held by management. The directors therefore considered Lawrence and Gail Jones to be the ultimate controlling party at the balance sheet date.

Following the transaction described in note 11, the directors considered that funds managed by Inflexion Private Equity Partners LLP became the ultimate controlling party with effect from 14 May 2020.