Financial Statements
Commify UK Limited
(formerly Esendex Limited)

For the 18 months ended 31 December 2018

Registered number: 04217280

Company Information

Directors	S Baker (resigned 30 November 2017) M A Burnett (appointed 27 February 2018) P E J Burton (appointed 27 February 2018) P C Gardner (resigned 30 April 2018) G A Love H D Robinson (appointed 27 February 2018) D A Smyth (appointed 27 February 2018)
Registered number	04217280
Registered office	20 Wollaton Street Nottingham Nottinghamshire NG1 5FW
Trading address	20 Wollaton Street Nottingham Nottinghamshire NG1 5FW
Independent auditor	Ernst & Young LLP 1 Colmore Square Birmingham West Midlands B4 6HQ

Contents

Strategic Report
For the 18 months ended 31 December 2018

Introduction

The Directors present their strategic report and the financial statements for the period ended 31 December 2018. The accounts that are presented in this report cover the 18 month period to December 2018, whilst the prior period covers the 12 months to June 2017.

During the period the Company changed its name to Commify UK Limited (formerly Esendex Limited).

The Company has adopted Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) during the period, and consequently has applied IFRS 1. The transition to FRS 101 has had no impact on the reported financial position and financial performance of the Company.

The assets, liabilities, and trade of the following entities were transferred into Commify UK Limited on 30 November 2018:

- M:Science Limited
- Fast SMS Limited
- Connection Software Limited

The assets and liabilities of the three Entities were transferred for £3 consideration. For a summary of the assets and liabilities transferred, and calculation of the loss recognised in Commify UK Limited on transfer please see note 21.

These accounts include the income and costs of these entities from 1 December 2018.

Principal Activities

The principal activity of the Company is that of a technology company providing business communication services in the UK and throughout Europe.

The primary services centre on the provision of SMS messaging products and software for customers.

However, the Company also has a growing offering of other innovative messaging solutions, utilising channels such as RCS (rich communication services), email, voice, web and other mobile channels.

Business Review

During the period to 31 December 2018, the Company had Revenue of £44,414k (year to 30 June 2017: £25,768k), Gross Profit of 44.0% (year to 30 June 2017: 47.7%) and Operating EBITDA of £10,853k (year to 30 June 2017: £5,830k). See Table 1 for a Reconciliation of Operating EBITDA to Operating Profit.

Throughout the period the Company has invested in staff, infrastructure and product development to support organic growth, win new customers, integrate the transferred businesses and differentiate the Company from competitors. These costs contributed to the majority of the Administrative expenses within the Profit and Loss Account.

In addition, the Company capitalised £1,550k (year to 30 June 2017: £346k) of development costs during the period (see note 13), and the result for the year was also impacted by a £1,070k impairment of intercompany receivables (year to 30 June 2017: nil).

Key Performance Measures

The primary measure used by the directors to measure the performance of the Company is Operating EBITDA. In addition, the board consider the following indicators to be important in measuring the performance of the Company:

- Gross profit % - 44.0% (year to 30 June 2017: 47.7%)
- Operating EBITDA – £10,853k (year ended 30 June 2017: £5,830k)
- Proportion of Revenue from non-SMS messaging sources – 10.0% (year ended 30 June 2017: 9.9%)

Strategic Report (continued)

For the 18 months ended 31 December 2018

Operating EBITDA as used to measure the performance of the Company differs from the Operating Profit measure shown in the Profit and Loss Account due to the following reconciling items:

Table 1 – Operating Profit to Operating EBITDA Reconciliation

	Period ended 31 December 2018	Year ended 30 June 2017
	£'000	£'000
Operating Profit per Consolidated Profit and Loss Account	6,676	4,573
Adjustments:		
Depreciation of Tangible Assets (see note 12)	600	323
Amortisation of Intangible Assets (see note 13)	686	106
Increase of expected credit loss provision (see note 15)	1,070	-
Acquisition Costs and other Exceptional Items (see note 6)	1,267	19
Head Office and Board Costs	554	809
Operating EBITDA	**10,853**	**5,830**

Head Office and Board Costs are not included within Operating EBITDA as these are fixed costs with limited variability and are not part of day to day trading operations. Head Office costs include; directors' fees and senior head office management and related expenses, owners' fees, and other sundry Head Office costs.

Corporate and social responsibility

Employment Policies
The Company is an equal opportunities employer and ensures that all employees and job applicants are given equal opportunity. Furthermore, the Company believes it is essential to value and respect all employees as individuals and concentrate on people's strengths to ensure a diverse and successful workforce

Recruitment and Retention
The Company's commitment remains to attract, lead, develop, manage and retain highly motivated, high performing people who work proactively toward delivering the Company's goals.

Employee Engagement
The Company is keen to involve its employees in the decision-making process of the business and places considerable value on their engagement. Amongst other methods, this is measured via quarterly anonymous employee surveys and weekly lunches that the CEO has with members of the workforce. In addition, the Company has Staff Councils, which are given considerable autonomy in respect of Corporate Social Responsibility initiatives and staff social and welfare activities.

Data Security
As a Data Processor for our customers' personal data, the Company takes data security extremely seriously. The Company is registered to the ISO27001:2013 standard for information security covering the full scope of its services and is PCI-DSS registered for payment card services.

Principal risks and uncertainties

The Company's operations expose it to a variety of risks, the principal of which are set out below:

- **Economic risks**

The Company is subject to the strength of the local economies in which it trades. However, a combination of geographical diversity and scale of customer numbers ensures no reliance on any one or group of customers limits this risk.

- **Competitive risks**

The Company is a leading provider of mission critical business messaging for customers and differentiates itself by aiming to provide an unrivalled quality of service and innovative products.

Strategic Report (continued)
For the 18 months ended 31 December 2018

The directors believe that a significant ongoing risk to the business is the potentially disruptive effect of new messaging technologies. Whilst the directors see no immediate threat, the Company is constantly addressing this risk through a continuous research and development programme. This means that whilst this has been noted an area of threat it also opens up future opportunities for the business – particularly in relation to the roll-out of Rich Communication Services that is currently underway across Mobile Network Operators.

- **Financial risks**

Foreign currency risk - A proportion of the Company's Revenue is earned in Euros. To offset this risk a proportion of the costs of the business are denominated in Euros.

Credit risk - The Company has policies that require appropriate credit checks on all potential customers before credit is granted. Smaller customers are generally required to make payment in advance of being able to use the Company's services. Many significant customers pay by direct debit and credit limits are reviewed on a regular basis.

Liquidity risk - The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable cash needs. This approach involves regular reconciliation and review of the full Balance Sheet, comprehensive credit control policies and a rolling cash forecasting procedure that gives early visibility of any potential liquidity issues.

People risk – The Company is reliant on key employees to maintain its competitive advantage. The Company manages this risk through effective management, training and development, and the alignment of pay and benefits to market rates.

Regulatory risk – The Company operates in a highly regulated environment and is subject to a changing and increasing number of laws and regulations relating to communications, data protection and credit card payments, amongst other items. This risk is managed via a dedicated Legal and Compliance team with responsibility for ensuring compliance with all operational regulations, including Global Data Protection Regulations.

This report was approved by the board of directors on 26 September 2019.

Signed on behalf of the board of directors:

Hayden D Robinson

H D Robinson
Director

Directors' Report

For the 18 months ended 31 December 2018

The Directors present their report and the audited financial statements for the 18 months ended 31 December 2018.

Directors

The Directors who served during the period were:

S Baker (resigned 30 November 2017)
M A Burnett (appointed 27 February 2018)
P E J Burton (appointed 27 February 2018)
P C Gardner (resigned 30 April 2018)
G A Love
H D Robinson (appointed 27 February 2018)
D A Smyth (appointed 27 February 2018)

Dividends

No dividends were paid in the current or prior period, and no final dividend is proposed (2017: nil).

Research and development

The Company continually invests in research and development, both in respect of new products and continual improvement of the current product set. Where allowed under IFRS, this expenditure is capitalised and included on the Balance Sheet as an Intangible Asset which is then amortised over its useful life. The Directors regard this investment as fundamental to maintaining competitive advantage, as noted in the section on Competitive Risks in the Strategic Report.

Future developments

The directors consider that 2019 will bring sales and operating EBITDA growth from continuing operations, driven by both organic growth and the full year impact of the trade transferred into the Company on 30 November 2018.

Events since the Balance Sheet date

On 28 February 2019, the Company completed the acquisition of 100% of the issued share capital of TA and MB Limited, which trades in the UK under the TextAnywhere and Mediaburst brands. TA and MB Limited in turn owns (directly or indirectly) 100% of the issued share capital of four non-trading UK entities and of TextAnywhere GmbH, which trades in Germany. All these entities other than TextAnywhere GmbH are registered in England and Wales, and all operate in the same industry as the Company.

Going concern

The Company's business activities, together with the factors likely to affect its future development, and the principal risks to which it is exposed, are described in the Strategic Report.

As at 31 December 2018 the Company has assets which exceed its liabilities and has been profitable for the period. After taking this into consideration and following review of the Company's forecasts, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its Financial Statements.

Political donations

No political donations were made during the period (year ended 30 June 2017: nil).

Directors' Report (continued)

For the 18 months ended 31 December 2018

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations. Principal risks and uncertainties, supplier payment policy, employee involvement, disabled persons and future developments are discussed in the Strategic report.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 101 'Reduced Disclosure Framework', and applicable law. 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 for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, 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. The directors 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.

Disclosure of information to the auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be 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 Section 418 of the Companies Act 2006.

Auditor

The auditor, Ernst and Young LLP, has expressed willingness to be re-appointed. This report was approved by the board of directors on 26 September 2019.

Signed on behalf of the board of directors:

Hayden D Rob

H D Robinson
Director

Independent Auditor's Report to the Members of Commify UK Limited (formerly Esendex Limited)

For the 18 months ended 31 December 2018

Opinion

We have audited the financial statements of Commify UK Limited for the period ended 31 December 2018 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 25, including a summary of significant accounting policies The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

Other information

The other information comprises the information included in the annual report as set out on pages 1 to 3, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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

Independent Auditor's Report to the Members of Commify UK Limited (formerly Esendex Limited)
For the 18 months ended 31 December 2018

Matters on which we are required to report by exception

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 material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement as set out on page 5, 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 Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the 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.

Ernst & Young LLP

Adrian Roberts (Senior statutory auditor)

for and on behalf of **Ernst & Young LLP, Statutory Auditor**

Birmingham, UK

27 September 2019

Profit and Loss Account

For the 18 months ended 31 December 2018

	Note	Period ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
Revenue	5	44,414	25,768
Cost of sales		(24,870)	(13,469)
Gross profit		**19,544**	**12,299**
Administrative expenses:			
Other operating income		1,766	374
Depreciation of tangible assets		(600)	(323)
Amortisation of intangible assets		(686)	(107)
Acquisition costs and other exceptional items	6	(1,267)	(19)
Impairment of debtors	15	(1,070)	-
Other administrative expenses		(11,011)	(7,651)
Total administrative expenses		(12,868)	(7,726)
Operating profit		**6,676**	**4,573**
Operating profit before interest and taxation		**6,676**	**4,573**
Dividends received		162	185
Finance income	8	-	1,042
Finance costs	9	(199)	(8)
Profit before taxation	7	**6,639**	**5,792**
Tax on profit	11	(532)	(1,005)
Profit for the period / year and total comprehensive income		**6,107**	**4,787**

This Profit and Loss Account has been prepared on the basis that all operations are continuing operations.

All profits are attributable to the owners of the parent company.

The notes on pages 11 to 29 form part of these financial statements

Commify UK Limited (formerly Esendex Limited)

Balance Sheet

As at 31 December 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Property, plant and equipment	12	1,119	782
Intangible assets	13	1,443	503
Investments	14	184	184
		2,746	1,469
Current assets			
Trade and other debtors	15	31,699	24,155
Cash and cash equivalents	16	2,614	4,385
		34,313	28,540
Total assets		**37,059**	**30,009**
Non-current liabilities			
Provisions for liabilities and charges	18	(278)	(127)
Total non-current liabilities		(278)	(127)
Current liabilities			
Trade and other payables	17	(17,796)	(17,606)
Corporation tax liability		(969)	(367)
Total current liabilities		(18,765)	(17,973)
Total liabilities		**(19,043)**	**(18,100)**
Net assets		**18,016**	**11,909**
Capital and reserves			
Called up share capital	20	-	-
Profit and loss account		18,016	11,909
Total equity		**18,016**	**11,909**

All equity is attributable to owners of the parent company.

The notes on page 11 to 29 form part of these financial statements. The financial statements were approved by the board of directors on 26 September 2019.

Signed on behalf of the board of directors:

Hayden D Robinson

H D Robinson
Director
Company registration no: 04217280

Statement of Changes in Equity

For the 18 months ended 31 December 2018

	Attributable to owners of Commify UK Limited		
	Called-up share capital £'000	**Profit and loss account £'000**	**Total £'000**
At 1 July 2016	-	7,122	7,122
Net profit for the year	-	4,787	4,787
Total comprehensive profit for the year	-	4,787	4,787
At 30 June 2017	-	11,909	11,909
Net profit for the period	-	6,107	6,107
Total comprehensive profit for the period	-	6,107	6,107
At 31 December 2018	**-**	**18,016**	**18,016**

Called-up share capital represents the nominal value of shares that have been issued.

The Profit and Loss Account includes all current period and prior year retained profits and losses.

1 General information

Commify UK Limited (formerly Esendex Limited, the 'Company') is a private company limited by shares incorporated in England and Wales. The registered office is 20 Wollaton Street, Nottingham, NG1 5FW.

The principal activity of Commify UK Limited is that of a technology company providing business to business transactional mobile messaging in the UK and throughout Europe.

2 Basis of preparation

The financial statements of Commify UK Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced disclosure Framework' (FRS 101) for the first time and consequently has applied IFRS 1. The transition to FRS 101 has had no impact on the reported financial position and financial performance of the Company.

IFRS 1 grants certain mandatory exceptions and optional exemptions from the full requirements of IFRS in the transition period. As the date of transition to FRS 101 of 1 July 2016, the Company has not needed to take advantage of any exemptions on transition.

The functional currency of the Company is sterling and these financial statements are presented in sterling, rounded to the nearest thousand.

The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
    - paragraph 79(a)(iv) of IAS 1;
    - paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
    - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
    - 10(d) (statements of cash flows);
    - 16 (statement of compliance with all IFRS);
    - 38A (requirement for minimum of two primary statements, including cash flow statements);
    - 38B-D (additional comparative information);
    - 111 (cash flow statement information); and
    - 134 – 136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirements for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirement in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The accounting policies set out below have (unless otherwise stated) been applied consistently to all periods present in these financial statements and have been applied consistently.

Notes to the Financial Statements (continued)

For the 18 months ended 31 December 2018

2 Basis of preparation (continued)

New and amended standards and interpretations

The Company is applying FRS 101 for the first time in these financial statements. The transition to FRS 101 has had no impact on the reported financial position and financial performance of the Company.

Several other amendments and interpretations were applied for the first time in 2018 but did not have an impact on the financial statements of the Company and, hence, have not been disclosed. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 and its related amendments apply to all revenue arising from contracts with customers and became effective for annual periods beginning on or after 1 January 2018. The Company has therefore applied IFRS 15 from the date of transition from FRS 102 to FRS 101. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. It requires revenue to be recognised when (or as) control of a good or service transfers to a customer at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires enhanced and extensive disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The Company adopted IFRS 15 using the full retrospective method of adoption and, having undertaken a full assessment of all aspects of IFRS 15, note there are no changes to the measurement of revenue as previously disclosed under FRS 102.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments was adopted by the Company in the year as part of the transition to adopted IFRS. This standard brings together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Company has applied IFRS 9 retrospectively as part of the Company's transition to adopted IFRS. The Company has applied the exemptions permitted by FRS 101 in respect of IFRS 7, 'Financial instruments: Disclosures'.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

IFRS 16 Leases

Management have collected the necessary data and are in the process of calculating the financial impact of the adoption of the IFRS 16 leases standard.

Going concern

The Company's business activities, together with the factors likely to affect its future development, and the principal risks to which it is exposed, are described in the Strategic Report.

As at 31 December 2018 the Company has assets which exceed its liabilities and has been profitable for the period. After taking this into consideration and following review of the Company's forecasts, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its Financial Statements.

3 Significant accounting policies

3.1 Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the financial statements. The investments are reviewed for indicators of impairment at each reporting date and, in the event of any impairment being identified, the losses are recognised immediately in the Profit and Loss Account, as are any reversals of previous impairment losses.

3.2 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.3 Revenue recognition

The Company's revenue comprises three main streams in relation to delivery of SMS messages, and a number of smaller complementary revenue streams. The Company undertook a comprehensive analysis of the impact of the new revenue standard based on a review of the contractual terms of its principal revenue streams with the primary focus being to understand whether the timing and amount of revenue recognised could differ under IFRS 15. For all of the Company's material revenue streams, the nature and timing of satisfaction of the performance obligations, and, hence, the amount and timing of revenue recognised under IFRS 15, is the same as that used previously under FRS 102.

The Company provides business communication services. The majority of Revenue derives from the sale of SMS credits and is recognised based on the actual number of credits used in the reporting period. Revenue from set up and other support services is recognised as performance obligations are satisfied. For most sales, the enforceable contract is the individual purchase order, which is an individual, short term contract. As the enforceable contract for most arrangements is the purchase order, the transaction price is determined at the date of each sale and, therefore, there is no future variability within scope of IFRS 15 and no further remaining performance obligations under those contracts.

When the Company sells multiple services as a package, the components are separated and accounted for separately to the extent that this is material.

Revenue received before services are delivered is recognised as deferred income and transferred to the profit and loss account once the goods are delivered and when the services have been performed.

3.4 Foreign currency

The Company's functional currency is Sterling (£).

(a) Functional and presentational currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The Financial Statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the Profit and Loss Account.

3 Significant accounting policies (continued)

3.5 Employee benefits - Defined contribution pension schemes

Pensions to employees are provided through contributions to individual personal pension plans. A defined contribution plan is a pension plan under which the Company pays fixed contributions into an independent entity. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognised in respect of personal pension plans are expensed as they fall due. Liabilities and assets may be recognised if an underpayment or prepayment has occurred and are included in current liabilities.

3.6 Exceptional items

Exceptional items are material items which arise from unusual, non-recurring or non-trading events. They are disclosed in aggregate on the Profit and Loss Account where in the opinion of the Directors such disclosure is necessary in order to fairly present the results for the period. See note 7 for the items disclosed in the current period.

3.7 Taxation

Income tax comprises both the income tax payable, based on taxable profits for the year, and deferred tax.

The current tax payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the Profit and Loss Account because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or, the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive in come or directly in equity respectively.

3.8 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged on these assets on a straight-line basis over the estimated useful economic life of each asset. Material residual value estimates and useful economic lives are updated as required and at least annually. The expected lives applicable are shown below, though a shorter life will be applied if an asset is deemed to have a shorter useful economic life:

- Fixtures and fittings	3 – 5 years
- Office equipment	3 – 5 years
- Computer equipment	3 – 5 years
- Leasehold Improvements	Life of lease

3 Significant accounting policies (continued)

3.9 Intangible assets

Intangible assets acquired separately

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged on these assets on a straight-line basis over the estimated useful economic life of each asset. Material residual value estimates and useful economic lives are updated as required and at least annually.

Capitalised development costs

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Disposal of intangible assets

An intangible asset is derecognised on disposal, and impaired when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition or impairment of an intangible asset, measured as the difference between any net disposal proceeds and any remaining carrying amount, are recognised in profit or loss when the asset is derecognised or impaired.

3.10 Impairment of assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment losses recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3 Significant accounting policies (continued)

3.11 Provisions for liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a debtor is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the debtor can be measured reliably.

3.12 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

For purposes of subsequent measurement, financial assets held by the Company are classified as Financial assets at amortised cost (debt instruments).

Financial assets at amortised cost (debt instruments)

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes; cash and cash equivalents, balances from contracts with customers, amounts owed by Group companies, Other debtors.

3 Significant accounting policies (continued)

3.12 Financial instruments (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's Balance Sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 4
- Trade receivables, including contract assets Note 15

The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. The Company is using the practical expedient available within IFRS 9 and only considering the lifetime losses of trade receivables which do not have a significant financing component. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience. This, and the basis of provisions and write-offs made, is explained in note 15.

Notes to the Financial Statements (continued)

For the 18 months ended 31 December 2018

3 Significant accounting policies (continued)

3.12 Financial instruments (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, and payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade creditors, amounts owed to Group companies, other creditors.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Profit and Loss Account.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

4 Significant accounting judgements and estimates

In the application of the Company's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Valuation of Intangible fixed assets

Judgements made in determining capitalised development costs relate to the assessment of individual projects against the criteria, as per the above accounting policy, as to whether the project is capital in nature. Projects are assigned a points value based on estimated time and effort spent by a team and each team completes a set number of points during a period. The value to capitalise is estimated using an apportionment of costs based on the points weighting of each project. The useful economic life of development project is estimated based on how long the Company judges that an economic benefit will be derived from the completed project.

Development expenditure is capitalised in accordance with the accounting policy given above. Initial capitalisation of costs is based on management's judgement that technical and economic feasibility is confirmed. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Expected credit losses

At each reporting period, the Directors review outstanding debts and determine appropriate provision levels based on expected credit losses. The recovery of certain debts is dependent on the individual circumstances of customers. This is explained in more detail in note 15. For intercompany debt, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is utilised.

5 Revenue from contracts with customers

For the period ended 31 December 2018 all of the Revenue for the Company was for the rendering of business to business communication services. All material revenue is recognised at a point in time.

The split of Revenue by territory for the period / year was:

	Period ended 31 December 2018	**Year ended 30 June 2017**
	£'000	**£'000**
UK & Ireland	34,710	20,161
France	8,314	5,079
Germany	1,390	528
Total Revenue	**44,414**	**25,768**

All revenue is recognised at a point in time in both periods.

The Company has recognised the following liabilities related to contracts with customers:

	2018	**2017**
	£'000	**£'000**
Deferred income – SMS sales	2,757	1,710

Notes to the Financial Statements (continued)

For the 18 months ended 31 December 2018

6 Acquisition Costs and Other Exceptional Items

During the current period and prior year, the Company recognised non-recurring costs in relation to:

- the subsequent work undertaken to integrate these acquisitions into the Group
- restructuring of the executive management team
- the change in Group ownership during 2017
- losses on transfer of net liabilities from other Group entities (see note 21)
- the release of a provision for a Government grant.

There was also a one-off credit in the prior period relating the breach of an exclusivity agreement for a potential acquisition.

The table below quantifies the above items:

	Period ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
Costs relating to the integration of the Group	132	-
One-off costs in relation to changes to the executive management structure	359	-
Credit in relation to breach of an exclusivity agreement	(131)	-
Costs in relation to change in Group ownership	340	51
Loss on transfer of net liabilities from other Group companies	567	-
Release of Government grant provision	-	(32)
Acquisition costs and other exceptional items	**1,267**	**19**

7 Profit before taxation

The Profit before taxation is stated after:

	Period ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
Auditor's remuneration:		
Fees payable to the Company's auditor and its associates for:		
- Audit of the Company's annual accounts	64	33
Depreciation of owned tangible fixed assets (note 12)	600	323
Foreign exchange differences	4	151
Operating lease rentals (note 22)	109	126
Amortisation - capitalised development costs (note 13)	686	106

8 Finance income

	Period ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
Interest receivable from Group companies	-	1,042
Other interest income	-	-
	-	**1,042**

Notes to the Financial Statements (continued)

For the 18 months ended 31 December 2018

9 Finance costs

	Period ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
On loans from Group companies	197	8
Interest payable on other loans	2	-
	199	**8**

10 Directors' and employees' remuneration

Employee benefits expense

Staff costs during the period / year were as follows:	Period ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
Wages and salaries	7,829	4,154
Social security costs	907	697
Other people costs	1,106	159
	9,842	**5,010**

The Company operates a stakeholder defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by an independent pension provider. The Company's legal or constructive obligation for these plans is limited to the employee contributions. The expense recognised in the current period in relation to these contributions was £269k (year to June 2017: £159k). Contributions of £25k (year to June 2017: £49k) were payable to the fund at the year end and are included in Accruals and other creditors.

The average number of employees (including Directors) of the Company during the period/year was:	Period ended 31 December 2018 No.	Year ended 30 June 2017 No.
Sales	30	27
Technical	68	54
Administration	42	44
	142	**125**

Directors' remuneration

Remuneration in respect of directors was as follows:	Period ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
Remuneration	1,279	952
Pension contributions to money purchase pension schemes	11	23
	1,290	**975**

From 1 January 2018 the directors were employed by another Group company and as such their costs were recharged out of Commify UK Limited from that point. The directors' emoluments for the period ended 31 December 2018 is for the 6 months ended 31 December 2017.

During the period, four directors (2017: five) participated in money purchase pension schemes. The remuneration of the highest paid director for the period was £307k (year ended 30 June 2017: £196k) and there were £2k (year ended 30 June 2017: £nil) pension contributions in respect of this director.

11 Tax on profit

The tax charge is based on the profit for the period and represents:	Period ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
Current income tax:		
Current UK income tax charge	402	465
Adjustments in respect of current income tax of previous period	11	516
Deferred taxation:		
Origination and reversal of temporary differences	119	30
Changes in tax rates	-	(6)
Tax charge	**532**	**1,005**

The tax charge for the period is lower than (2017: lower than) than the standard rate of corporation tax in the United Kingdom at 19% (2017: 19.75%). The differences are explained as follows:

	Period ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
Profit before tax	6,639	5,792
Profit multiplied by standard rate of corporation tax in the United Kingdom of 19% (2017: 19.75%)	1,261	1,144
Fixed asset differences	53	1
Expenses not deductible for tax purposes	120	11
Expected credit loss provision not deductible	204	
RDEC expenditure credits	12	8
Group relief claimed	(1,048)	(554)
Adjustments to tax charge in respect of previous periods	11	516
Change in tax rates	(18)	(11)
Other non-taxable income	(31)	(110)
Deferred tax transferred from other Group entities (note 21)	(32)	-
Tax charge for the period	**532**	**1,005**

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is £nil (2017: £nil).

The UK corporation tax rate will reduce to 17% (from 1 April 2020) as substantially enacted by Finance Bill 2016 on 15 September 2017.

12 Property, Plant and Equipment

	Fixtures and Fittings £'000	Office Equipment £'000	Computer Equipment £'000	Leasehold Improvements £'000	Total £'000
Cost					
At 1 July 2017	232	1,908	17	-	2,157
Transfers in (note 21)	7	-	2	-	9
Additions	1	624	-	303	928
At 31 December 2018	**240**	**2,532**	**19**	**303**	**3,094**
Depreciation					
At 1 July 2017	149	1,209	17	-	1,375
Provided in the period	53	489	-	58	600
At 31 December 2018	**202**	**1,698**	**17**	**58**	**1,975**
Carrying value					
At 30 June 2017	83	699	-	-	782
At 31 December 2018	**38**	**834**	**2**	**245**	**1,119**

The cost value recognised in respect of assets transferred into the Company (see Note 21) is the Net Book Value as at 30 November 2018.

As at 31 December 2018, the Company had no capital commitments.

13 Intangible fixed assets

	Development costs – internally generated £'000	Development costs – acquired £'000	Total £'000
Cost			
At 1 July 2017	700	-	700
Transfers in (note 21)	-	76	76
Additions	1,550	-	1,550
At 31 December 2018	**2,250**	**76**	**2,326**
Accumulated amortisation			
At 1 July 2017	197	-	197
Charge for the period	676	10	686
At 31 December 2018	**873**	**10**	**883**
Carrying value			
At 30 June 2017	503	-	503
At 31 December 2018	**1,377**	**66**	**1,443**

The cost value recognised in respect of assets transferred into the Company (see Note 21) is the Net Book Value as at 30 November 2018.

14 Investments

	2018 £'000	2017 £'000
Investments in subsidiaries	184	184
Net book amount at 31 December 2018 and 30 June 2017	**184**	**184**

At 31 December 2018 the investments in which the Company holds any class of share capital were:

	Type of shares	Proportion held	Nature of business	Country of incorporation
Directly owned subsidiaries				
Esendex Espana SL	Ordinary	100%	Provision of business communication services	Spain
Esendex Australia PTY Limited	Ordinary	100%	Provision of business communication services	Australia
Esendex Inc	Ordinary	100%	Provision of business communication services	USA

	Type of shares	Proportion held	Nature of business	Country of incorporation
Indirectly owned subsidiaries				
SMSpubli Mobile Marketing SLU	Ordinary	100%	Provision of business communication services	Spain
Nubematica, S.L.	Ordinary	100%	Provision of business communication services	Spain

15 Trade and other debtors

	2018	2017
	£'000	£'000
Balances from contracts with customers	3,929	2,937
Balance due from Indirect parent companies	22,783	19,078
Balance due from Direct parent company	1,488	-
Balance due from Other Group companies	301	-
Balance due from Direct subsidiary companies	2,153	1,564
Balance due from Indirect subsidiary companies	1	-
Other debtors and prepayments	1,044	576
	31,699	24,155

Balances from contracts with customers are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade debtors are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade debtors with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Company's impairment policies and the calculation of the loss allowance are provided below. Due to the short-term nature of the current debtors, their carrying amount is considered to be the same as their fair value.

Amounts owed by Group companies are unsecured, repayable on demand and attract interest at a rate of between 5% and 12% per annum.

The Company has recognised a loss of £1,070k (2017: £nil) in respect of inter-company debts that became impaired as a result of the post year-end rationalisation of the Group's structure.

Set out below is the movement in the allowance for expected credit losses of trade receivables. All of the Company's trade and other debtors have been reviewed for indicators of impairment. Certain trade debtors were found to be impaired and accordingly a provision of £45k (2017: £93k) has been made. The movement in the allowance for expected credit losses of trade receivables is shown below:

	2018	2017
	£'000	£'000
Balance beginning of the year	93	111
Net movement in provision	(52)	(18)
Balance at end of the year	45	93

Some of the unimpaired trade debtors were past due at the reporting date. The age of trade debtors past due but not impaired at the reporting date was:

	2018	2017
	£'000	£'000
30-60 days	199	49
60-90 days	50	8
Greater than 90 days	79	5
	328	62

16 Cash and cash equivalents

	2018	2017
	£'000	£'000
Cash at banks and on hand	2,614	4,385
	2,614	4,385

Cash and cash equivalents consist of cash at bank and in hand.

Notes to the Financial Statements (continued)

For the 18 months ended 31 December 2018

17 Trade and other payables

	2018 £'000	2017 £'000
Amounts falling due within one year		
Trade creditors	3,531	2,802
Other taxation and social security	174	897
Balances owed to Indirect parent company	6,844	70
Balances owed to Direct parent companies	-	9,860
Balances owed to Fellow subsidiaries of a direct parent company	20	-
Balances owed to Other Group companies	331	-
Balances owed to Direct subsidiary companies	206	176
Balances owed to Indirect subsidiary companies	404	-
Accruals and other creditors	3,529	2,091
Deferred income	2,757	1,710
	17,796	17,606

Trade creditors are unsecured and are usually paid within 30 days of recognition. Deferred income relates to contractual obligations to deliver messaging services to customers.

The carrying amounts of trade and other creditors are the same as their fair values, due to their short-term nature.

18 Provisions for liabilities and charges

Provisions for liabilities and charges consists of:

	2018 £'000	2017 £'000
Deferred taxation	278	127
	278	127

19 Deferred taxation

Deferred taxation provided for at 17% (2017: 17%) in the Financial Statements is set out below:

	Period ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
Deferred tax liabilities:		
Fixed asset temporary differences	(278)	(127)
	(278)	(127)

Movements in the provision for deferred tax during the period/year were:

	Period ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
At the start of the period	127	103
Additional liability created during the period / year	119	24
Transfer from other Group entities (note 21)	32	-
At 31 December	278	127

The deferred tax liability above has arisen on Tangible and Intangible fixed assets and is expected to reverse over the remaining useful life of these assets.

Notes to the Financial Statements (continued)

For the 18 months ended 31 December 2018

20 Equity

	2018 £'000	2017 £'000
Allotted, called up and fully paid:		
10,000 Ordinary shares of £0.01 each	-	-
	-	-

All shares owned by the Company carry equal rights. There have been no share movements in the period ended December 2018 (2017: none).

21 Transfer of assets from other Group companies

On 30 November 2018, the assets, liabilities, and trade of other Group companies were transferred into Commify UK Limited for £1 consideration each. The assets and liabilities, and the resulting loss recognised in Commify UK Limited in respect of each transfer was:

M Science Limited

	£'000
Intangible assets	23
Trade and other receivables	169
Corporation tax receivable	12
Cash and cash equivalents	185
Trade and other payables	(266)
Deferred revenue	(196)
Net liabilities transferred	(73)
Amount paid	-
Loss on transfer	**(73)**

During the period this acquisition contributed £121k of revenue and £75k of profit before tax.

Connection Software Limited

	£'000
Trade and other receivables	43
Cash and cash equivalents	10
Trade and other payables	(133)
Deferred revenue	(139)
Net liabilities transferred	(219)
Amount paid	-
Loss on transfer	**(219)**

During the period this acquisition contributed £31k of revenue and £27k of profit before tax.

21 Transfer of assets from other Group companies (continued)

Fast SMS Limited

	£'000
Intangible assets	53
Property, plant, and equipment	9
Trade and other receivables	241
Cash and cash equivalents	483
Trade and other payables	(237)
Corporation tax liability	(86)
Provisions for liabilities and charges	(32)
Deferred revenue	(706)
Net liabilities transferred	(275)
Amount paid	-
Loss on transfer	**(275)**

During the period this acquisition contributed £155k of revenue and £20k of profit before tax.

22 Financial commitments

Operating leases relate to land and buildings. The total charge for the period for operating lease rentals was £109k (2017: £126k). The Company's future minimum operating lease payments are as follows:

	2018	2017
Total commitments due:	£'000	£'000
Within one year	171	159
Between one and two years	166	92
Between two and five years	290	-
	627	251

23 Transactions and balances with related parties

The Company has taken advantage of the exemption in IAS 24 'Related party disclosures' not to disclose transactions with wholly owned group entities whose voting rights are held within the group, and which are included in the Consolidated Financial Statements of Commify Topco Limited. Copies of the Consolidated Financial Statements can be obtained from the Registered Office of the Company.

24 Events after the reporting period

On 28 February 2019, the Company completed the acquisition of 100% of the issued share capital of TA and MB Limited and its subsidiaries for consideration of £10.8m, of which £0.9m is deferred and payable 6 months after the date of the acquisition. This company is registered in England and Wales and operates in the same industry as Commify UK Limited. This acquisition was made in order to gain access to new brands and customer bases.

On 1 April 2019 the entire Share Capital of Commify UK Limited was transferred to Commify Limited. Esendex Holdings Limited, the former immediate parent Company, was subsequently liquidated as part of a wider Group reorganisation.

25 Ultimate Parent Undertaking and Controlling party

The immediate parent company at the balance sheet date was Esendex Holdings Limited, a company registered in England and Wales.

The largest group for which Consolidated Accounts are prepared is that headed by Commify Topco Limited, a company registered in England and Wales. At the date of approval of the financial statements, the immediate parent company is Commify Limited, a company registered in England and Wales.

A number of limited partnerships which are managed by HgCapital LLP (holding through nominee companies) held a significant interest in the ordinary shares of Commify Topco Limited at 31 December 2018. The directors deem there not to be an ultimate controlling party as none of the limited partners in the limited partnerships managed by HgCapital LLP has an ownership of more than 20% of the issued share capital of Commify Topco Limited and there are no further controlling parties.