

Livingstone Holdings Limited


Report and Financial Statements

Year Ended

31 December 2019

Company Number 07649324

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Livingstone Holdings Limited

Report and financial statements
for the year ended 31 December 2019

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Directors

Emanuel Mond
Simon Leuty
Perry Fawcett
Nicholas Lee

Registered office

Kilnbrook House, Rose Kiln Lane, Reading, Berkshire, RG2 0BY

Company number

07649324

Auditors

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

Livingstone Holdings Limited

Strategic report for the year ended 31 December 2019

Introduction

The directors present their strategic report for the year ended 31 December 2019.

Principal activities

The principal activity of the company is that of an intermediate holding company for a group providing software portfolio management technology and services.

The business of the subsidiary trading companies is focused on delivering software portfolio management services supported by proprietary technology.

Results and financial position

The group's profit before taxation was £1,936,486. The resulting financial position at 31 December 2019 is set out on page 12.

Business review

The business of the Livingstone group of companies is the provision of software portfolio management services to large and complex organisations, to enable them to reduce their software licensing costs and risks. Our global team of software asset management ("SAM") professionals and software licensing experts, backed-up with our own in-house optimisation technologies, help organisations with limited or no in-house SAM resources overcome skills shortages and tool gaps, delivering timely, reliable and actionable SAM intelligence that drives bottom-line savings.

Livingstone's managed services are designed to increase the cost-efficiency, speed of delivery and success of managing software across all platforms, whether on-premise, migrating to the cloud or in hybrid cloud environments. Optimisation, audit defence and cloud migration projects are provided for all major vendors, including Microsoft, Oracle, IBM, VMware, and SAP.

Livingstone's zero-friction approach to optimizing software licensing encompasses a unique blend of technologies, people and processes in a single proposition that delivers fast and significant results for customer organizations.

The company and group intends to continue to grow its software asset management business through a combination of increasing the range of services it offers to current and new clients and seeking new acquisition opportunities to complement and enhance the current service offering.

During the year, the company completed the acquisition of Derive Logic Limited on 1 April 2019 and Cloud Optics Limited on 31 October 2019. Both acquisitions were funded through a combination of debt and new equity.

In addition, on 29 March 2019, the group also acquired the SAM business assets of New York based Siwel Consulting, Inc. The acquisition was financed out of free cash balances.

The group has focused on the successful integration of the acquired businesses and entities and has made considerable progress during the year.

The group operates out of its headquarters in Reading, and since the acquisitions completed in 2019 also has facilities in London, Cirencester and York in the UK and New York in the USA.

Livingstone Holdings Limited

Strategic report for the year ended 31 December 2019 (continued)

Future developments

The group intends to maintain growth of both revenue and earnings into the future both organically and through further acquisition, to expand the group's offerings into new geographic areas and products and technologies.

The global outlook remains uncertain at this stage of the COVID-19 outbreak, however, as at the date of this report, trading for the Livingstone group continues to be in line with expectations. With the growing diversity of our client base and products, both of which span an increasing number of geographies and sectors, and a strong cash and liquidity position, the directors are confident in the group's ability to continue servicing the needs of our clients and growing our business as a result.

Principal risks and uncertainties

The directors consider that the main risks facing the business are:

- Although the group is headquartered in the UK, it has a global customer base which provides solid diversification and protection against any significant contractions in a specific market. However the group remains exposed to global geo-political and macroeconomic factors, including those arising as a result of the Covid19 pandemic which is impacting the operations of many of the group's current and potential clients.

Specifically in relation to Covid 19;

- Our high level of technology enabled services, documented processes and skills diversification means that the group can manage any increased level of staff absenteeism which might arise during the crisis;
- The group has in place tried and tested business continuity policies and processes, which have enabled us to maintain all services and operations remotely and without interruption during the period of lockdown in the various geographies in which we operate; and
- Processes and policies are being reviewed regularly and updated as necessary in response to the changing environment, to ensure that staff, customers, suppliers and contractors can continue to operate safely.
- The group is exposed to a technology risk resulting from fast moving IT developments and therefore it is important to focus on the latest technology, provide sufficient training to our consultants and continually invest in our own technology in order to remain at the forefront of innovation in key areas.
- Managing the growth of the business and the integration of acquired businesses. The operational consequences of this are manifested in the ability to recruit and retain the key skills required in the company to service its clients. The group invests in a number of initiatives to address this risk, which includes a graduate trainee programme, the provision of training and development opportunities and implementing long-term incentive schemes for key employees.

Financial key performance indicators

The group relies on a number of KPIs, which are reviewed regularly by the board and management team. The directors have considered the performance of the group in respect of each of the financial KPIs and are satisfied with the ongoing improvement. These main KPIs are as follows:

- Sales growth. Group turnover was £17,594,261 in the year (2018: £11,295,599) which is an increase of 55.7%
- Group liquidity and cash generation. The Group's operating cash inflow in the year was £11,268,847 (2018: £2,161,450).
- Earnings before interest, tax, depreciation and amortisation (EBITDA). The Group's EBITDA for the year was £3,733,455 (2018: £3,612,659).

Livingstone Holdings Limited

Strategic report
for the year ended 31 December 2019 (*continued*)

Financial and Operational risk management

Financial risks are considered and managed in the following ways:

Liquidity and cashflow risk

Liquidity and cash flow risk arises from the group's management of working capital and the finance charges and principal repayments on its debt instruments. Without being actively managed, it is a risk that the group will encounter difficulty in meeting its financial obligations as they fall due.

The board and management regularly review the group's cash position, current and projected banking covenant compliance and cash flow forecasts. The group maintains positive cash balances, but also has access to bank facilities to finance working capital if required to fund additional growth.

In relation to the impact of Covid19 on the group's cashflows, the board has implemented additional processes to review liquidity and operations on a weekly basis, at least for as long as the crisis and resulting uncertainty prevails. This review includes:

- The status of staff illness and/or self-isolation across the group;
- A review of net cash and Days Sales Outstanding;
- Sales pipeline and growth expectations, and the impact on short to medium term cashflow from operations;
- Assessment of available government support initiatives; and
- Consideration of the impact of alternative planning scenarios on the group's cashflow projections, to effectively stress-test the group's ongoing ability to generate cash from operations and maintain compliance with its banking covenants.

Operational Risk

The Covid19 crisis has also exposed the group to new operational risks arising from increased home working. These risks include a potential loss of effective communication between staff, customers and suppliers, and increased cyber-security risks. The group's Business Continuity Plans ensure that these risks are monitored and mitigated through the use of new technology solutions and the implementation of applicable policies and processes.

Interest rate risk

The group is exposed to cash flow interest rate risk from long-term borrowings at variable rate. During the period under review, the group's borrowings at variable rate were denominated in US Dollars and Sterling. The group has entered into an interest rate cap for a proportion of its external borrowings to protect against the risk of an increase in interest rates.

Foreign exchange risk

The group has international operations with assets and receivables in US Dollars. The risk arising from fluctuations in the US Dollar exchange rate has been mitigated through maintaining a proportion of its bank borrowings in US Dollar to provide a natural hedge such fluctuations.

Livingstone Holdings Limited

Strategic report
for the year ended 31 December 2019 (*continued*)

Credit risk

Credit risk is the risk of financial loss to the group if a customer fails to meet its contractual obligations. The group engages with its customers under commercial terms which are typical of the sector in which it operates and includes a standard 30-day payment term, which means that the group may deliver its services prior to receiving payment. Before sales are made, the group conducts a risk assessment on potential customers based on its financial risk profile, using both publicly available information and additional supporting information from the customer if appropriate. Each new customer is analysed individually for creditworthiness before the group's standard payment terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval. All agreed terms of business are supported with contractual documentation.

Approval

This Strategic Report was approved on behalf of the Board on 28 August 2020.



Perry Fawcett
Director

Livingstone Holdings Limited

Directors' report for the year ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Results and dividends

The profit for the year, after taxation, amounted to £1,564,448 (2018 - £3,462,120).

No dividends have been declared during the year.

Directors

The directors who served during the year were:

Emanuel Mond	
Simon Leuty	
Perry Fawcett	(appointed 12 September 2019)
Nicholas Lee	(appointed 30 August 2019)
Timothy Green	(resigned 31 May 2019)

Information included in the strategic report

Information relating to future developments and financial instrument risk is detailed in the strategic report rather than this report.

Qualifying third party indemnity provisions

The company has put in place qualifying third party indemnity provisions for all of the directors.

Disclosure of information to auditors

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

- So far as the director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- The director has taken all 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 Group's auditors are aware of that information.

Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Group and parent company has adequate resources to continue in operational existence for the foreseeable future and for at least one year from the approval date of the financial statements.

The world is in the midst of the Covid-19 global pandemic and the extent of the impact on the global economy is uncertain. We have considered the impact a recession in the UK, US and across the rest of Europe and the world will have on our business, the wider technology sector and the various business risks we face.

In response to the uncertainty created by Covid-19, management have undertaken the following actions:

- identified business initiatives that can be deferred without a significant impact to long term business operation;
- identified business efficiencies which can be delivered in the short-term to reduce or contain any growth in operating expenses;
- analysed fixed costs with a focus on needs to support day to day operations of the business; and
- revised budgets, projections and cash flow forecasts.

Livingstone Holdings Limited

Directors' report for the year ended 31 December 2019 (continued)

Going concern (continued)

Management and the directors consider that the Group will generate sufficient cash flow from operating activities to meet all of its financial obligations as they fall due, including the obligations relating to the parent company's bank debt. The going concern analysis includes factoring in the potential loss of new customers or termination of existing contracts. The parent company has been considered as part of the Group's going concern assessment. Further detail is included in note 2.

On review of management's assessment, the directors have concluded that there are no material uncertainties that lead to significant doubt upon the company's and Group's ability to continue as a going concern and have therefore approved the financial statements on this basis.

Research and development

The group conducts research and development to create software applications for internal use in support of its business operations. The total expenditure on research and development activity in the year, including capitalised costs was £598,853 (2018: £697,695).

Post balance sheet events

Subsequent to the balance sheet date, the Covid-19 outbreak has escalated to a global pandemic. As a company and group, we reacted quickly in response to the lockdown and were able to support our staff to work remotely, maintaining operations and offering continuity of service to our clients. The impact of this has been considered on the financial statements up to the date of signing and whilst the situation continues to evolve it has not had a significant negative impact on our revenues, profitability and working capital. The COVID-19 pandemic was not an event in existence in the UK or US at the year end date therefore it is being regarded as a non-adjusting subsequent event.


Auditors

All of the directors as at the date of this report have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the company's auditor is unaware.

Nexia Smith & Williamson resigned as auditors of the company during the year and BDO LLP were appointed as auditors of the company by the directors. BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting.

Approval

This Directors' Report was approved on behalf of the Board on 28 August 2020.


Perry Fawcett
Director

Livingstone Holdings Limited

Directors' responsibilities statement for the year ended 31 December 2019

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements 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 Group 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Livingstone Holdings Limited

Independent auditor's report

Opinion

We have audited the financial statements of Livingstone Holdings Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2019 which comprise Consolidated Statement of Comprehensive Income, Consolidated and Parent Company balance sheets, Consolidated and Parent Company statement of changes in equity and Consolidated statement of cash flows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or Parent 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 Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Livingstone Holdings Limited

Independent auditor's report *(continued)*

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

We have nothing to report in this regard.

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 Directors' report for the financial year 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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and 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 Responsibilities of directors, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Livingstone Holdings Limited

Independent auditor's report (*continued*)

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

Use of our report

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

BDO LLP

Jonathan Roberts (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Reading
United Kingdom

Date: 1 September 2020

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

Livingstone Holdings Limited

Consolidated statement of comprehensive income for the year ended 31 December 2019

	Note	2019 £	2018 £
Turnover	4	17,594,261	11,295,599
Cost of sales		(1,428,628)	(132,187)
Gross profit		16,165,633	11,163,412
Administrative expenses		(13,719,849)	(7,737,006)
Operating profit	5	2,445,784	3,426,406
Interest receivable and similar income	9	67,022	36,205
Interest payable and similar charges	10	(576,320)	-
Profit before taxation		1,936,486	3,462,611
Tax on profit	11	(372,038)	(491)
Profit for the financial year		1,564,448	3,462,120
Currency translation differences		(33,095)	67,656
Other comprehensive income for the year		(33,095)	67,656
Total comprehensive income for the year		1,531,353	3,529,776

The notes on page 19 to 45 form part of these financial statements.

Livingstone Holdings Limited

Consolidated balance sheet at 31 December 2019

<i>Company number 07649324</i>	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Intangible assets	13		19,926,238		304,029
Tangible assets	14		212,402		63,273
			<u>20,138,640</u>		<u>367,302</u>
Current assets					
Debtors: amounts falling due after more than one year	16	802,724		666,176	
Debtors: amounts falling due within one year	16	8,398,569		3,602,944	
Cash at bank and in hand	17	3,981,921		3,796,508	
			<u>13,183,214</u>	<u>8,065,628</u>	
Creditors: amounts falling due within one year	18	(7,302,201)		(2,547,427)	
Net current assets			<u>5,881,013</u>		<u>5,518,201</u>
Total assets less current liabilities			<u>26,019,653</u>		<u>5,885,503</u>
Creditors: amounts falling due after more than one year	19		(13,502,306)		(144,346)
Net assets			<u>12,517,347</u>		<u>5,741,157</u>
Capital and reserves					
Called up share capital	23		608,989		130
Share premium account	24		1,047,016		928,983
Capital redemption reserve	24		17		17
Foreign exchange reserve	24		(11,170)		21,925
Merger reserve	24		182,738		182,738
Other reserves	24		4,517,945		-
Profit and loss account	24		6,171,812		4,607,364
			<u>12,517,347</u>		<u>5,741,157</u>

The financial statements were approved by the Board of Directors and authorised for issue on 28 August 2020.



Nicholas Lee
Director

The notes on pages 19 to 45 form part of these financial statements.

Livingstone Holdings Limited

Consolidated statement of changes in equity for the year ended 31 December 2019

	Called up share capital £	Share premium account £	Capital redemption reserve £	Foreign exchange reserve £	Merger reserve £
At 1 January 2019	130	928,983	17	21,925	182,738
Comprehensive income for the year					
Profit for the year	-	-	-	-	-
Currency translation movements	-	-	-	(33,095)	-
Total comprehensive income for the year	-	-	-	(33,095)	-
Capital contribution relating to interest free loan from immediate parent company	-	-	-	-	-
Shares issued during the year	608,859	118,033	-	-	-
Total transactions with owners	608,859	118,033	-	-	-
At 31 December 2019	608,989	1,047,016	17	(11,170)	182,738

The notes on pages 19 to 45 form part of these financial statements.

Livingstone Holdings Limited

Consolidated statement of changes in equity for the year ended 31 December 2018 *(continued)*

	Called up share capital £	Share premium account £	Capital redemption reserve £	Foreign exchange reserve £	Merger reserve £
At 1 January 2018	122	574,178	17	(45,349)	182,738
Comprehensive income for the year					
Profit for the year	-	-	-	-	-
Currency translation movements	-	-	-	67,274	-
Total comprehensive income for the year	-	-	-	67,274	-
Notional distribution to Latitude Bidco Limited (note 16)	-	-	-	-	-
Shares issued during the year	8	354,805	-	-	-
Release of share option reserve on exercise of options	-	-	-	-	-
Share based payments charge	-	-	-	-	-
Total transactions with owners	8	354,805	-	-	-
At 31 December 2018	130	928,983	17	21,925	182,738

The notes on pages 19 to 45 form part of these financial statements.

Livingstone Holdings Limited

Consolidated statement of cash flows for the year ended 31 December 2019

	2019 £	2018 £
Cash flows from operating activities		
Profit for the financial year	1,564,448	3,462,120
Adjustments for:		
Amortisation of intangible assets	1,212,775	122,342
Depreciation of tangible assets	68,949	63,910
Profit on disposal of tangible assets	(44)	-
Interest received	(67,022)	(36,205)
Interest payable	576,320	-
Taxation charge	372,038	491
Increase in debtors	(1,172,991)	(608,237)
Increase / (Decrease) in creditors	9,337,775	(252,527)
Corporation tax (paid)	(623,401)	(656,457)
Share option charge	-	66,013
	11,268,847	2,161,450
Net cash (used in) / generated from operating activities		
Cash flows from investing activities		
Purchase of intangible fixed assets	(9,580)	(39,843)
Purchase of tangible fixed assets	(193,777)	(25,941)
Purchase of subsidiaries (net of cash acquired)	(9,380,931)	-
Purchase of trade and assets, including directly attributable costs	(1,505,250)	-
Interest received	404	-
Loans to group company	-	(1,486,216)
	(11,089,134)	(1,552,000)
Net cash used in investing activities		
Cash flows from financing activities		
Issue of ordinary shares	-	354,813
	-	354,813
Net cash from financing activities		
Net increase in cash and cash equivalents	179,713	964,263
Cash and cash equivalents at beginning of year	3,796,508	2,812,067
Foreign exchange gains and losses	5,700	20,178
	3,981,921	3,796,508
Cash and cash equivalents at the end of year		
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	3,981,921	3,796,508

The notes on page 19 to 45 form part of these financial statements.

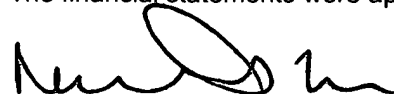
Livingstone Holdings Limited

Company balance sheet at 31 December 2019

Company number 07649324	Note	2019	2019	2018	2018
		£	£	£	£
Fixed assets					
Investments	15		22,699,564		475,648
Current assets					
Debtors: amounts falling due after more than one year	16	244,873		159,039	
Debtors: amounts falling due within one year	16	469,799		388,497	
Cash at bank and in hand	17	1,296		360,464	
			715,968	908,000	
Creditors: amounts falling due within one year	18	(4,132,540)		(169,137)	
Net current (liabilities) / assets			(3,416,572)		738,863
Total assets less current liabilities			19,282,992		1,214,511
Creditors: amounts falling due after more than one year	19		(13,282,698)		-
Net assets			6,000,294		1,214,511
Capital and reserves					
Called up share capital	23		608,989		130
Share premium account	24		1,047,016		928,983
Capital redemption reserve	24		17		17
Other reserve	24		4,517,945		-
Profit and loss account	24		(173,673)		285,381
			6,000,294		1,214,511

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The profit of the Company for the year was £160,014 (2018: loss of £459,054).

The financial statements were approved by the Board of Directors and authorised for issue on 28 August 2020.



Nicholas Lee
Director

The notes on pages 19 to 45 form part of these financial statements.

Livingstone Holdings Limited

Company statement of changes in equity for the year ended 31 December 2019

	Called up share capital £	Share premium account £	Capital redemption reserve £
At 1 January 2019	130	928,983	17
Comprehensive income for the year			
Loss for the year	-	-	-
Total comprehensive income for the year	-	-	-
Contributions by and distributions to owners			
Capital contribution relating to interest free loan from immediate parent company	-	-	-
Shares issued during the year	608,859	118,033	-
Total transactions with owners	608,859	118,033	-
At 31 December 2019	608,989	1,047,016	17

The notes on pages 19 to 45 form part of these financial statements.

Livingstone Holdings Limited

Company statement of changes in equity for the year ended 31 December 2018 *(continued)*

	Called up share capital £	Share premium account £	Capital redemption reserve £	S
At 1 January 2018	122	574,178	17	
Comprehensive income for the year				
Profit for the year	-	-	-	
Total comprehensive income for the year	-	-	-	
Contributions by and distributions to owners				
Notional distribution to Latitude Bidco Limited (note 12)	-	-	-	
Shares issued during the year	8	354,805	-	
Release of share option reserve on exercise of options	-	-	-	
Share based payments charge	-	-	-	
Total transactions with owners	8	354,805	-	
At 31 December 2018	130	928,983	17	

The notes on pages 19 to 45 form part of these financial statements.

Livingstone Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2019

1 General information

Livingstone Holdings Limited is a private company, limited by shares and incorporated in England and Wales (with registered number 07649324). The address of the registered office is Kilnbrook House, Rose Kiln Lane, Reading, Berkshire, RG2 0BY. The nature of the Company's operations and its principal activities are set out in the strategic report.

The financial statements are prepared in pounds sterling (£) and rounded to the nearest £1.

2 Accounting policies

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

Parent Company disclosure exemptions

In preparing the separate financial statements of the parent Company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No Statement of Cash Flows has been presented for the parent Company.

The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102.

Livingstone Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

2 Accounting policies (*continued*)

Going concern

At the date of approval of these financial statements, the world is in the midst of the Covid-19 global pandemic. The extent of the impact on the global economy is uncertain but there is an expectation of recessions in economies across the globe.

The impact of Covid-19 and any subsequent recession on the Group and company's business is uncertain. The key risks faced by the business are:

- A reduction in the ability of the Group to secure new business due to a global slowdown in economic activity;
- A reduction in the ability of the Group to secure new business due to existing and potential customers being in lockdown for an extended period;
- The termination of existing managed service contracts as customers seek to reduce their operating expenditure; and
- A reduction in Group liquidity due to an extension of payment terms or customer default.

All of the above has been included in the going concern analysis as discussed below.

In response to the uncertainty created by Covid-19 management have undertaken the following actions:

- Identified business initiatives that can be deferred without a significant impact to long term business operation;
- Identified business efficiencies which can be delivered in the short-term to reduce or contain any growth in operating expenses; and
- Analysed fixed costs with a focus on needs to support day to day operations of the business.

The Company and its subsidiaries have guaranteed the bank debt of the immediate parent, which amounted to £19 million as at the year end.

The immediate parent has no income other than that derived from the Group and therefore its ability to repay the bank debt is dependent on the future cash flows of the Group. Management considers that the Group and company will generate sufficient cash flow from operating activities to meet all of its financial obligations in the foreseeable future, including the obligations relating to the parent company's bank debt. The parent company has been considered as part of the Group's going concern assessment.

Management have prepared cash flow forecasts identifying all cash commitments for the next twelve months and compared this to current cash holdings. The results of this analysis has been reviewed by the directors and indicates that the Group can sustain a substantial decline in activity for a period of at least 12 months from the date of signing the financial statements whilst continuing to meet its obligations as they fall due. The directors have obtained a financial letter of support from the parent company in relation to the standalone company.

The directors have concluded that there are no material uncertainties that lead to significant doubt upon the Group and company's ability to continue in operational existence for the foreseeable future and for at least one year from the approval date of the financial statements. Therefore the directors have prepared the financial statements on a going concern basis.

Livingstone Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

On consolidation, the results of overseas operations are translated into Sterling at an average for the year. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, rebates and value added tax.

Revenue for the Group is generated from managed services, transformation services and project income in line contractual terms and conditions agreed for the provision of software asset management services to global clients.

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Managed services revenue is recognised on a straight line basis over the term of the contract, and deferred or accrued as required, with billing occurring monthly, quarterly or annually. For transformation services, the recognition of revenue is determined based on time and materials, with reference to time recorded and other records. Project revenue is recognised on stage of completion determined with reference to management's best estimate based on internal records.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, the Group and company only recognise revenue to the extent that it is probable expenses incurred will be recovered.

Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

Livingstone Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Interest payable

Interest payable is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the profit and loss account is charged with the fair value of goods and services received.

Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and

Livingstone Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Current and deferred taxation (continued)

- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'.

For business combinations occurring after 1 January 2019, intangible assets acquired are recognised separately from goodwill only when they are separable from the acquired entity and give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques. The significant separately identifiable intangibles recognised separately from goodwill relate to brands and customer relationships are being amortised on a straight line basis over 5 – 8 years.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses. Goodwill is being amortised on a straight line basis over 10 years.

Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years. Amortisation begins when the intangible asset is available for use, i.e when it is in the location and condition necessary for it to be usable in the manner intended by management.

Purchased goodwill arises on the acquisition of trade and assets of an entity. In calculating goodwill arising on acquisition, the fair value of net assets acquired are assessed at the date of acquisition. Purchased goodwill is included with 'goodwill'.

The expected useful economic life of development costs are estimated based on business plans which set out the development plan and time to market for the associate project. Developed software is being amortised on a straight line basis over a period of 5 years.

IP and systems

IP and systems assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The IP and systems assets are being amortised on a straight line basis over 10 years.

Livingstone Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Tangible fixed assets

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	-	5 years
Office equipment	-	3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

Investments in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Livingstone Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Financial instruments (continued)

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3 Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make judgements and estimates that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of revenues and expenses during the reporting period.

Judgements

In preparing the financial statements, the following judgements which have, or could have, a material impact on the financial statements were made:

- Determining the stage of completion of customer contracts which forms the basis of revenue recognition relating to revenues generated on the delivery of services. Internal records such as time recorded are used by management to determine the stage of completion.
- Determining whether the expenditure incurred relating to development of software products will give rise to future economic benefit and whether it will lead to a successful conclusion thus eligible for capitalisation. Judgements are made in deciding whether expenditure incurred meets FRS 102 criteria for capitalisation.
- Determining whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset. If there are any such indicators, the directors then undertake an impairment assessment. At the reporting date, there were no impairment indicators.

Livingstone Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

3 Judgements in applying accounting policies and key sources of estimation uncertainty (*continued*)

Other key sources of estimation uncertainty

Amortisation and depreciation of fixed assets (see notes 13 and 14)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. Intangible assets are amortised over the estimated useful life. The actual lives of the assets and residual values are assessed annually or at initial recognition of the related fixed asset and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Carrying value of intangible assets (see note 13)

Intangible assets are recognised on the acquisition of Derive Logic Limited and Cloud Optics Limited in relation to their respective brands. The fair value of these assets are determined using a royalty approach where no active market for the assets exists. Management have not identified any material variances from the assumptions used. The performance post acquisition will be monitored for any future indicators of impairment.

Accrued bonus scheme (see note 18)

The Group operates a bonus scheme for certain employees. Under the scheme, benefits accrue on an annual basis to relevant employees and 30% of the accumulated benefits are paid on an annual basis, or in full on the event of a change in control. In the event that an employee leaves other than by way of redundancy, the accumulated benefits are forfeit. The bonus accrual as at the reporting date was £403,031 (2018 - £365,108).

Contingent consideration

Contingent consideration payable on the acquisition of Derive Logic Limited and Cloud Optics Limited has been calculated using management's best estimate of the most likely outcome regarding the financial performance of the acquired entity, measured against certain revenue, gross profit and net profit targets.

Livingstone Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

4 Turnover

The whole of the turnover is attributable to the provision of services.

	2019 £	2018 £
Analysis of turnover by country of destination:		
United Kingdom	9,154,972	4,874,974
Rest of the EU	1,561,710	1,504,305
Rest of the world	6,877,579	4,916,320
	<u>17,594,261</u>	<u>11,295,599</u>

5 Operating profit

	2019 £	2018 £
The operating profit is stated after charging / (crediting):		
Exchange differences	50,420	(2,552)
Operating lease rentals	237,116	146,297
Research and development expenditure	459,018	566,795
Fees payable to the company's auditor for the audit of the group's annual accounts	73,500	39,681
Depreciation	68,949	63,910
Amortisation	1,212,775	122,342
	<u>1,992,777</u>	<u>1,341,577</u>

Fees for non-audit services are disclosed in the financial statements of Latitude Topco Limited on a consolidated basis.

6 Employees

The average monthly number of employees, including the directors, during the year was as follows:

	2019 Number	2018 Number
Administration	19	10
Service delivery	89	49
Development	7	7
Sales and Marketing	14	11
	<u>129</u>	<u>77</u>

Livingstone Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

7 Staff costs

Group

Staff costs, including directors' remuneration, were as follows:

	2019 £	2018 £
Wages and salaries	7,476,833	4,463,430
Social security costs	824,145	462,773
Other pension costs	157,260	91,800
	<u>8,458,238</u>	<u>5,018,003</u>

Company

The parent Company has no employees (2018 - Nil).

8 Directors' remuneration

	2019 £	2018 £
Directors' emoluments	<u>483,986</u>	<u>276,078</u>

The highest paid director received remuneration of £191,461 (2018 - £156,748).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £3,646 (2018 - £6,698).

During the year no director received shares under the long term incentive schemes (2018 - 1).

9 Interest receivable

	2019 £	2018 £
Interest receivable from group companies	<u>67,022</u>	<u>36,205</u>

10 Interest payable

	2019 £	2018 £
Interest payable to group companies	<u>576,320</u>	<u>-</u>

Livingstone Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

11 Taxation

	2019 £	2018 £
<i>Corporation tax</i>		
Corporation tax on profits for the year	460,511	(149,888)
Adjustments in respect of previous periods	(2,646)	(6,408)
	<u>457,865</u>	<u>(156,296)</u>
<i>Foreign tax</i>		
Foreign tax on income for the year	48,592	169,027
Foreign tax in respect of prior periods	-	14,117
	<u>48,952</u>	<u>183,144</u>
Total current tax	<u>506,457</u>	<u>26,848</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(134,419)	(26,357)
Total deferred tax	<u>(134,419)</u>	<u>(26,357)</u>
Taxation on profit on ordinary activities	<u>372,038</u>	<u>491</u>

Livingstone Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

11 Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	1,936,486	3,462,611
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	<u>367,932</u>	<u>657,896</u>
Effects of:		
Expenses not deductible for tax purposes	20,906	43,999
Fixed asset differences	173,679	-
Utilisation of tax losses	-	(22,953)
Higher rate taxes on overseas earnings	11,817	29,647
Adjustments to tax charge in respect of prior periods	10,382	11,831
Additional deduction for R&D expenditure	(113,377)	(136,554)
Other permanent differences	38,041	-
Tax deduction arising from exercise of employee options	-	(525,593)
Group relief	(271,121)	(25,733)
Recognition of previously unrecognised deferred tax assets	-	(32,049)
Adjust closing deferred tax to average rate of 19%	28,045	-
Adjust opening deferred tax to average rate of 19%	3,739	-
Deferred tax not recognised	101,995	-
Total tax charge for the year	<u>372,038</u>	<u>491</u>

Factors that may affect future tax charges

The group has tax losses of circa £461,700 (2018: £nil) available to carry forward against future profits. No deferred tax asset is recognised in respect of these losses, as it is uncertain whether they will be able to be utilised in the future.

Future tax charges may be affected by the availability or otherwise of enhanced research and development tax deduction.

Livingstone Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

12 Dividends

	2019 £	2018 £
Interim dividend paid in the year		
Notional distribution to Latitude Bidco Limited (see note 16):		
- Livingstone Technologies Limited	-	651,829
- Parent Company	-	204,416
	<u>-</u>	<u>856,245</u>

13 Intangible assets

Group	IP and systems £	Developed software £	Purchased Goodwill £	Goodwill on consolidation £	Brand £	Total £
<i>Cost</i>						
At 1 January						
2019	148,000	554,533	-	-	-	702,533
Additions	-	314,580	1,368,449	-	-	1,683,029
Acquisition of subsidiaries	-	120,000	-	18,831,955	200,000	19,151,955
At 31 December 2019	<u>148,000</u>	<u>989,113</u>	<u>1,368,449</u>	<u>18,831,955</u>	<u>200,000</u>	<u>21,537,517</u>
<i>Amortisation</i>						
At 1 January						
2019	123,333	275,171	-	-	-	398,504
Charge for the year	14,800	180,473	102,634	897,785	17,083	1,212,775
At 31 December 2019	<u>138,133</u>	<u>455,644</u>	<u>102,634</u>	<u>897,785</u>	<u>17,083</u>	<u>1,611,279</u>
<i>Net book value</i>						
At 31 December 2019	<u>9,867</u>	<u>533,469</u>	<u>1,265,815</u>	<u>17,934,170</u>	<u>182,917</u>	<u>19,926,238</u>
At 31 December 2018	<u>24,667</u>	<u>279,362</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>304,029</u>

IP and systems relates to acquired intangible assets and developed software relates to internally generated software intangible assets.

Livingstone Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 *(continued)*

14 Tangible fixed assets

Group	Leasehold improvements £	Office equipment £	Total £
<i>Cost</i>			
At 1 January 2019	175,070	487,732	662,802
Additions	100,221	93,556	193,777
Acquisition of subsidiaries	-	24,576	24,576
Disposals	-	(87,825)	(87,825)
Foreign exchange movement	-	(265)	(265)
	<hr/>	<hr/>	<hr/>
At 31 December 2019	275,291	517,774	793,065
<i>Depreciation</i>			
At 1 January 2019	137,776	461,753	599,529
Charge for the year on owned assets	31,504	37,445	68,949
Disposals	-	(87,644)	(87,644)
Foreign exchange movement	-	(171)	(171)
	<hr/>	<hr/>	<hr/>
At 31 December 2019	169,280	411,383	580,663
<i>Net book value</i>			
At 31 December 2019	106,011	106,391	212,402
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2018	37,294	25,979	63,273
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

15 Fixed asset investments

Company	Subsidiary undertakings £
<i>Cost</i>	
At 1 January 2019	475,648
Additions	22,223,916
	<hr/>
At 31 December 2019	22,699,564
<i>Net book value</i>	
At 31 December 2019	22,699,564
	<hr/> <hr/>
At 31 December 2018	475,648
	<hr/> <hr/>

For further details of additions in the year see note 27.

Livingstone Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

15 Fixed asset investments (continued)

Subsidiary undertakings

The following are direct subsidiaries of the Company:

Name	Registered office	Class of shares	Holding
Livingstone Technologies Limited	Kilnbrook House, Rose Kiln Lane, Reading, Berkshire, RG2 0BY	Ordinary	100%
Livingstone Technologies Pty Ltd	GPO Box 2947, Sydney NSW 2001, Australia	Ordinary	100%
Specialist Software Services Inc	1370 Broadway, New York, NY 10018, USA	Ordinary	100%
Specialist Consultants for Software Limited	Kilnbrook House, Rose Kiln Lane, Reading, Berkshire, RG2 0BY	Ordinary	100%
Livingstone Tech Limited	Kilnbrook House, Rose Kiln Lane, Reading, Berkshire, RG2 0BY	Ordinary	100%
Livingstone Technology Limited	Kilnbrook House, Rose Kiln Lane, Reading, 4 Berkshire, R62 0BY	Ordinary	100%
Derive Logic Ltd	The Old Chapel, Union Way, Witney, Oxfordshire, OX28 6HD	Ordinary	100%
Cloud Optics Limited	3rd Floor, 20 Hill Rise, Richmond, Surrey, TW10 6UA	Ordinary	100%

16 Debtors

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Due after more than one year:				
Amounts owed by group undertakings	802,724	666,176	244,873	159,039

The above loans are interest free and repayable in full on 31 May 2027. In accordance with the requirements of FRS 102, the capital sum of £1.5 million (Company - £0.4 million) has been discounted at a market rate of interest of 10%, with the discount being treated as a distribution to the borrowing company. Notional interest is then accrued on the loan.

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Due within one year:				
Trade debtors	4,521,904	2,408,156	-	-
Amounts owed by group undertakings	2,654,796	400,863	444,914	388,126
VAT recoverable	-	-	24,855	-
Corporation tax	174,923	-	-	-
Other debtors	52,358	175,882	30	371
Prepayments and accrued income	836,580	593,152	-	-
Deferred taxation	158,008	24,891	-	-
	8,398,569	3,602,944	469,799	388,497

Livingstone Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

17 Cash and cash equivalents

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Cash at bank and in hand	3,981,921	3,796,508	1,296	360,464

18 Creditors: amounts falling due within one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade creditors	440,804	342,353	19,500	2,040
Amounts owed to group undertakings	17,460	-	783,288	59,887
Foreign tax	28,342	194,372	-	18,158
Other taxation and social security	812,196	289,555	-	-
Other creditors	102,699	102,228	2	82,902
Accruals and deferred income	5,900,700	1,618,919	3,329,750	6,150
	<u>7,302,201</u>	<u>2,547,427</u>	<u>4,132,540</u>	<u>169,137</u>

19 Creditors: amounts falling due after more than one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Amounts owed to group undertakings	13,282,698	-	13,282,698	-
Accruals and deferred income	219,608	144,346	-	-
	<u>13,502,306</u>	<u>144,346</u>	<u>13,282,698</u>	<u>-</u>

The amounts owed to group undertakings are interest free.

Livingstone Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

20 Financial instruments

Information regarding the group's exposure to and management of credit risk, liquidity risk, market risk, cash flow interest rate risk, and foreign exchange risk is included in the Strategic report.

The carrying values of the Group and Company's financial assets and liabilities measured at fair value through profit or loss are summarised by category below:

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Financial assets				
Financial assets measured at amortised cost	12,013,703	7,447,585	691,114	908,000
Financial liabilities				
Financial liabilities measured at amortised cost	19,936,765	2,207,846	17,415,238	150,979

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

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, other creditors and accruals.

21 Deferred taxation

	2019 £	2018 £
Group		
At beginning of year	24,891	(1,084)
Acquisition of subsidiary	(1,496)	-
Charged to profit or loss	134,612	26,357
Charged to other comprehensive income	-	(382)
At end of year	158,007	24,891
Company		
At beginning of year	-	26,264
Charged to profit or loss	-	(29,264)
At end of year	-	-

Livingstone Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

21 Deferred taxation (continued)

The deferred taxation balance is made up as follows:

	Group 2019 £	Group 2018 £
Fixed asset timing differences	(91,859)	(34,344)
Tax losses carried forward	170,600	18,876
Other short term timing differences	79,267	40,359
	<u>158,008</u>	<u>24,891</u>

The deferred taxation is presented in the balance sheets as follows:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Comprising:				
Asset - due within one year	249,867	32,049	-	-
Liability	(91,859)	(7,158)	-	-
	<u>158,008</u>	<u>24,891</u>	<u>-</u>	<u>-</u>

22 Share options

During the prior year, all options issued under the Company's Enterprise Management Incentive scheme were exercised immediately prior to the change in ownership of the Company; the scheme is now in abeyance.

Livingstone Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

23 Share capital

	2019 £	2018 £
<i>Allotted, called up and fully paid</i>		
60,898,891 (2018 - 11,535) Ordinary shares of £0.01 each	608,989	116
- (2018 - 1,144) B Ordinary shares of £0.01 each	-	11
- (2018 - 287) C Ordinary shares of £0.01 each	-	3
	<u>608,989</u>	<u>130</u>

Ordinary shares are non-redeemable, have full unrestricted voting rights, entitle the holder to participate in any distribution of dividends to the ordinary shares and entitle the holders to a distribution of capital on a winding up.

B Ordinary shares are non-redeemable, have no right to attend or vote at a general meeting, but carry an entitlement to participate in distribution of dividends to the B shares and to participate equally in a distribution on a winding up but only if the amount returned to shareholders is in excess of £7,500,000.

C Ordinary shares are non-redeemable, have no right to attend or vote at a general meeting, but carry an entitlement to participate in distribution of dividends to the B shares and to participate equally in a distribution on a winding up but only if the amount returned to shareholders is in excess of £12,500,000.

During the year a resolution was passed to re-designate all of the B Ordinary and C Ordinary shares into Ordinary shares of £0.01 each.

On 1 April 2019 the company issued 60,766,700 Ordinary £0.01 at par value. On 31 October 2019 the company issued 119,225 Ordinary £0.01 shares at a premium of £0.99 per share.

24 Reserves

Share premium account

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at an amount in excess of nominal value.

Capital redemption reserve

A statutory, non-distributable reserve into which amounts are transferred following the redemption or purchase of the Company's own shares.

Foreign exchange reserve

The foreign exchange reserve is used to record exchange differences arising on consolidation.

Other reserves

Other reserves represents a capital contribution, being the estimated interest foregone by another group company on an interest free inter-company loan.

Livingstone Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 *(continued)*

24 Reserves *(continued)*

Merger reserve

The merger reserve represents capital contributions received and amounts recognised on the acquisition of Livingstone Holdings Limited being the difference between the value of the consideration and the nominal value of the shares issued as consideration.

Share option reserve

This reserve relates to the fair value of the outstanding options granted which has been charged to profit or loss over the vesting period of the options and related taxation recognised in equity.

Profit and loss account

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

25 Contingent liabilities

Parent company bank loans

The parent company bank loans have been secured on the assets of the Group and the Company. As at 31 December 2019, the amount secured was £19.0 million (2018 - £16.1 million).

26 Pension commitments

At 31 December 2019 the Group had unpaid pension contributions totalling £27,204 (2018 - £17,816).

Livingstone Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

27 Business combinations

Acquisition of Derive Logic Limited

On 1 April 2019 the group acquired 100% of the issued share capital of Derive Logic Limited, a company registered in England and Wales.

In calculating goodwill arising on acquisition, the fair value of net assets of Derive Logic Limited have been assessed and adjustments from book value have been made where necessary.

	Book value £	Fair value adjustments £	Fair value £
<i>Fixed assets</i>			
Intangible assets	119,222	100,778	220,000
Tangible assets	7,872	-	7,872
<i>Current assets</i>			
Debtors	1,320,267	158,760	1,479,027
Unpaid share capital	-	73,763	73,763
Cash	1,012,245	-	1,012,245
	<hr/>	<hr/>	<hr/>
Total assets	2,459,606	333,301	2,792,907
<i>Creditors</i>			
Creditors	(1,334,740)	-	(1,334,740)
Provisions	(1,496)	-	(1,496)
	<hr/>	<hr/>	<hr/>
Net assets	1,123,370	333,301	1,456,671
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Goodwill			10,010,064
			<hr/>
Total purchase consideration			11,466,735
			<hr/>
Purchase consideration settled in cash			7,654,137
Cash and cash equivalents in subsidiary acquired			(1,012,245)
			<hr/>
Cash outflow on acquisition			6,641,892
			<hr/> <hr/>
Consideration			
Cash			7,219,003
Debt instruments			3,812,598
Directly attributable costs			435,134
			<hr/>
Total purchase consideration			11,466,735
			<hr/> <hr/>

Livingstone Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

27 Business combinations (continued)

The results of Derive Logic Limited since its acquisition are as follows:

	Current period since acquisition £
Turnover	3,762,822
Profit for the period	832,249

Acquisition of Cloud Optics Limited

On 31 October 2019 the group acquired 100% of the issued share capital of Cloud Optics Limited, a company registered in England and Wales.

In calculating goodwill arising on acquisition, the fair value of net assets of Cloud Optics Limited have been assessed and adjustments from book value have been made where necessary.

	Book value £	Fair value adjustments £	Fair value £
<i>Fixed assets</i>			
Intangible assets	-	100,000	100,000
Tangible assets	16,385	-	16,385
<i>Current assets</i>			
Debtors	1,465,240	365,403	1,830,643
Cash	2,306,966	-	2,306,966
Total assets	3,788,591	465,403	4,253,994
<i>Creditors</i>			
Creditors	(2,318,702)	-	(2,318,702)
Net assets	1,469,889	465,403	1,935,292
Goodwill			8,821,889
Total purchase consideration			10,757,181

Livingstone Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

27 Business combinations (continued)

Purchase consideration settled in cash	5,046,005
Cash and cash equivalents in subsidiary acquired	(2,306,966)
	<hr/>
Cash outflow on acquisition	2,739,039
	<hr/> <hr/>
Consideration	
Cash	4,602,713
Debt instruments	2,379,176
Contingent consideration	3,332,000
Directly attributable costs	443,292
	<hr/>
Total purchase consideration	10,757,181
	<hr/> <hr/>

The results of Cloud Optics Limited since its acquisition are as follows:

	Current period since acquisition £
Turnover	909,329
	<hr/> <hr/>
Profit for the period	695,876
	<hr/> <hr/>

Livingstone Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

27 Business combinations (continued)

Acquisition of Siwel Consulting

On 29 March 2019 tSpecialist Software Services Inc. acquired the trade and assets of Siwel Consulting.

In calculating goodwill arising on acquisition, the fair value of net liabilities of Siwel Consulting have been assessed and adjustments from book value have been made where necessary.

	Book value £	Fair value adjustments £	Fair value £
<i>Fixed assets</i>			
Intangibles	-	305,000	305,000
<i>Current assets</i>			
Debtors	34,322	-	34,322
	<hr/>	<hr/>	<hr/>
Total assets	34,322	305,000	339,322
<i>Creditors</i>			
Creditors	(202,520)	-	(202,520)
	<hr/>	<hr/>	<hr/>
Net liabilities	(168,198)	305,000	136,802
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Goodwill			1,368,448
			<hr/>
Total purchase consideration			1,505,250
			<hr/>
Purchase consideration settled in cash			1,505,250
			<hr/>
Cash outflow on acquisition			1,505,250
			<hr/> <hr/>
Consideration			
Cash			1,356,818
Directly attributable costs			148,432
			<hr/>
Total purchase consideration			1,505,250
			<hr/> <hr/>

Livingstone Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

27 Business combinations (continued)

The results of Siwel Consulting since its acquisition are as follows:

	Current period since Acquisition £
Turnover	2,224,180

Due to the combination of resources and the integration of the acquired trade and assets with the existing business which took place upon completion of the acquisition, the profit of the acquired business is not separately measured or reported.

28 Commitments under operating leases

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

	2019 £	2018 £
Not later than 1 year	267,586	168,665
Later than 1 year and not later than 5 years	614,355	674,660
Later than 5 years	-	10,521
Total	881,941	853,846

The Company had no commitments under non-cancellable operating leases as at the balance sheet date.

29 Related party transactions

An amount of £80,000 was received by Livingstone Holdings Limited in October 2018 from a former director as final settlement in respect of legal proceedings brought against the director in 2016. An assignment of settlement agreement was signed transferring all the legal and beneficial rights, title and interest in the original settlement agreement to Emanuel Mond, a director of the Company. At the prior year end the balance of £80,000 was owed and was included in other creditors.

The Company's subsidiary undertaking Livingstone Technologies Limited has entered into a 15 year lease ending on 24 December 2028. The lessor is Four Daughters Limited and Emanuel Mond, a director of the Company, is also a director of Four Daughters Limited. The annual rent paid in the year was £95,007 (2018 - £94,410). At year end there was a liability of £nil (2018 - £28,323).

The Company's subsidiary undertaking Livingstone Technologies Limited has entered into a 9 year lease ending on 29 February 2024. The lessor is Daniel Simpson, PAL Trustees Limited, Emanuel Mond and Rowanmoor Trusts Limited. Emanuel Mond is a director of the Company. The annual rent paid in the year amounted to £76,911 (2018 - £76,380). At year end there was a liability of £nil (2018 - £17,750).

The Company has taken advantage of the exemptions provided by the Reporting Standards and has not disclosed transactions with wholly owned group companies.

Livingstone Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

30 Post balance sheet events

Subsequent to the balance sheet date, the Covid-19 outbreak has escalated to a global pandemic. As a company and group, we reacted quickly in response to the lockdown and were able to support our staff to work remotely, maintaining operations and offering continuity of service to our clients. The impact of this has been considered on the financial statements up to the date of signing and whilst the situation continues to evolve it has not had a significant negative impact on our revenues, profitability and working capital. The COVID-19 pandemic was not an event in existence in the UK or US at the year end date therefore it is being regarded as a non-adjusting subsequent event.

31 Controlling party

Latitude Bidco Limited, registered office Kilnbrook House, Rose Kiln Lane, Reading, England, RG2 0BY, is the immediate parent company.

The parent undertaking of the largest group in which the company is consolidated is Latitude Topco Limited, registered office Kilnbrook House, Rose Kiln Lane, Reading, England, RG2 0BY. The financial statements of this company may be obtained from its registered office.

Latitude Topco Limited is ultimately owned by Carlyle Europe Technology Partners III, LP, a limited partnership formed under the laws of England, with registered number LPO15900 and registered office at 1001 Pennsylvania Avenue N W, Suite 220 South, Washington DC 20004-2502, USA. Carlyle Europe Technology Partners III, LP is ultimately controlled (directly or indirectly) by The Carlyle Group LP, a public entity listed on Nasdaq (ticker symbol: CG).

Livingstone Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

32 Net debt reconciliation

	At 1 January 2019 £	Cash flows £	Acquisition of subsidiaries £	Purchase of trade and assets, including directly attributable costs £	Interest lo
Cash at bank and in hand	3,796,508	11,089,688	(9,393,325)	(1,505,250)	
Other loans	-	-	(6,191,774)	-	(576,3
	<u>3,796,508</u>	<u>11,089,688</u>	<u>(15,585,099)</u>	<u>(1,505,250)</u>	<u>(576,3</u>