

Parent for: 4323164

Registered number:
10053004

Southern Communications Group Limited

Annual Report and Consolidated Financial Statements

For the year ended 31 March 2020

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Southern Communications Group Limited

COMPANY INFORMATION

Directors

PJ Bradford
MO Kirk
AJ Moody
DC Phillips
JN Wilson
DC Goldie
M Caffrey
S Hollingsworth

Registered number

10053004

Registered office

Glebe Farm
Down Street
Dummer
Basingstoke
RG25 2AD

Independent auditor

Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
5 Benham Road
Southampton Science Park
Chilworth
Southampton
SO16 7QJ

Southern Communication Group Limited

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Southern Communications Group Limited

Group Strategic Report For the year ended 31 March 2020

The Directors present their strategic report for the year ended 31 March 2020.

Principal activity

The Group is a leading supplier of its own cloud based hosted telephony to resellers in the UK both as a SaaS (Software as Service) offering via our trusted team of growing resellers and a full shrink wrapped solution which is sold through the Group's direct and indirect sales channels. The Group provides all aspect of business voice and data communication services including data connectivity from broadband to multi-site wide area networks, cloud data solutions, IP telephone systems, business calls & line rental and full mobile service provision. The solutions are delivered and supported nationally across the UK.

Business review and future developments

The Group made several acquisitions during the year. The acquisitions extended the geographic coverage of the Group across the UK including several acquisitions in Scotland. The acquisitions fall in line with the Group's plan to expand rapidly through a mixture of controlled organic growth and sustainable acquisitions.

The acquisitions and payment of contingent consideration on prior years acquisitions were funded by an extension of the Group's facilities.

The continued growth in the Group has led to an increase in average headcount from 338 in 2019 to 371 in 2020. Investment in people remains key to the development of the Group.

The Directors consider the key performance indicators of the Group to be turnover, gross profit, EBITDA*, EBITDA* to operating cash flow conversion and EBITDA* margin percentage.

Key financial performance indicators

	2020	2019
Turnover	£86,938,169	£70,243,373
Gross profit	£43,721,405	£34,300,106
Gross profit margin	50.29%	48.83%
EBITDA*	£21,835,945	£15,960,439
EBITDA* margin	25.12%	22.72%
EBITDA* to operating cash-flow conversion	102.98%	88.13%

*Earnings before interest, taxation, depreciation and amortisation.

Southern Communications Group Limited

Group Strategic Report For the year ended 31 March 2020

Strong market platform

As a platform, the Group is a Tier2 ISP with 6 points of presence across the country and interconnects to virtually every major carrier in the UK. MyPhones, our own hosted cloud telephony platform, is embedded across three data centres in full active mode within the UK, two of which are outside our ISP network, providing added resilience.

This allows the Group to provide its customers every aspect of voice & data connectivity. Within the network we have our own cloud computing virtual environment as well as LAN & WAN security solutions. The Group is also one of only eight O2 service providers in the UK.

Positioned for growth

With the group's technology platform demonstrated and sustained organic growth from both direct and indirect sales channels, the directors feel that the Group is now ideally positioned for future growth, organically and through a continued well thought out acquisition strategy.

Principal risks and uncertainties

Operational

The shape of our business services has evolved to full-service provision for voice and data providing our direct, indirect & wholesale customers with access to the internet and global voice networks. For our hosted telephony cloud platform, we have invested heavily in development and offer our resellers in effect a SaaS solution, allowing them to fully white label and the benefit from aggregating external services.

The Group is certified under ISO 27001 security, as well as Cyber Essential Plus with dedicated Chief Security Officer within the Group and has strong governance around the risks of cyber security and telephony fraud. As part of our ongoing processes we employ external agencies to carry out penetration testing on our systems and all employees have undertaken security training. We strive to mitigate these risks with full board visibility.

Economic conditions and impact of COVID-19

The Group's revenues and operations are entirely UK based and, while the impending Brexit departure from the EU creates uncertainty and therefore some risks around trading, it will almost certainly also create opportunities for the Group which has traditionally seen strong trading during down turns in the UK economic environment. The Directors have therefore not identified any significant risks associated with Brexit, although continue to carefully monitor the situation.

The judgement of the Directors is that the global coronavirus pandemic has not resulted in a significant impact on its trading operations. This judgement is based on the trading performance of the Group to the end of March 2020 and trading up to the date of this report. The UK entered a lockdown period on 23rd March, given its diverse customer base and the critical nature of its services and necessity of expenditure on communication, the Directors are not expecting a significant reduction in its existing customer base because of the pandemic. We have followed all government guidelines with the safety of our employees, customers, and other stakeholders as paramount. Day to day we are able to operate the Group almost entirely with staff working from home and we expect this to continue for the rest of the financial year.

Southern Communications Group Limited

**Group Strategic Report
For the year ended 31 March 2020**

Liquidity and interest rates

The Group seeks to manage financial risks by ensuring sufficient liquidity is available to meet foreseeable needs and has a strong partnership with its lenders in Santander and Ares.

The Group manages its exposure to interest rate fluctuations through a hedging agreement, which limits its exposure to LIBOR changes.

Going concern

The Group reported a positive EBITDA for the year of £22m, with charges for amortisation on acquisitions and other intangible assets of £19m and an interest payable of £15m contributing to a reported loss for the year of £13m, with Net Current Assets of £2m. As at 31 March 2020 the Group financing arrangements consisted of a total committed loan facility of £190.7m, of which £18m remains undrawn. This facility is due to expire on the 22 August 2025. The Group's forecasts and projections, taking into account reasonably possible changes in trading performance show that the Group will be able to operate within the level of its facilities for a forecast period of at least 12 months from the approval date of these financial statements and is still expecting to achieve an increase in EBITDA for the 12 months to 31 March 2021. In drawing a conclusion on the Group's ability to continue as a going concern, the Directors have assessed the financial risks to the organisation. The principle risk to going concern has been identified as COVID-19 and its impact on the wider economic environment and the Group.

Management has undertaken detailed financial forecasting to assess the effect of the Government imposed restrictions, considering both the Group, its customers, suppliers and staff. Forecasts have been stress tested to ensure robust assumptions are being made in the operational and financial management of the Group.

In developing the forecasts key assumptions included; where the Group is eligible for government support schemes (including CJRS and VAT Deferral) these have been applied for, recurring revenue decreases and one off income is substantially impacted reducing gross profit by c8% and corresponding reductions in operating costs of c10% leading to an EBITDA reduction of 7% against the original budget. This is in line with the actual trading performance for the first four months of the 2021 financial year.

Post year end recurring revenues have continued at similar levels prior to COVID-19, with the exception of fixed line and mobile call traffic, though this is returning towards Pre-COVID levels. On non-recurring streams there was a 3 month drop off but the Directors do not believe this will continue in the long term due to the easing of restrictions, resulting in the ability to once again perform site visits and installations. The EBITDA delivered by the Group post year end has been in line with the original budget.

Financial covenants set by lenders continue to be met and are anticipated to be met for the foreseeable future. With the agreement of our lender, the quarterly interest payment due for June 2020 was deferred and has been paid in September 2020 along with the normal quarterly payment. The Group overall is able to support the individual entities within it, should a need arise, but this is not envisaged given the Group forecasts, projections and expected cashflows.

In a constantly changing environment an agile approach has been taken, to facilitate our response to changes to organisational risk in a timely and robust manner. This includes both regular and event prompted reviews of risks, regular cash review and management, and staff working in a flexible manner to support the ongoing success of the Group.

At the time of approving the financial statements, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Southern Communications Group Limited

Group Strategic Report For the year ended 31 March 2020

Future developments

The Group's strategy for the future remains unchanged with a focus on growth, both organic and through acquisitions.

Engaging with our stakeholders

This Section 172 statement should be reading in conjunction with the Directors' report on pages 6 - 7.

The Board recognises the importance of understanding the views of the Group's key stakeholders. The Group's stakeholders include primarily their employees, shareholders, investors and customers of the Group and the Group's suppliers. A range of mechanisms for engaging with and considering the needs and priorities of these different stakeholder groups during Board discussions and as part of its decision making for these differing groups are detailed below, which ensure that their views and the matters set out in section 172 Companies Act 2006 in respect of the Directors' duty to promote the success of the Group for the benefit of its members as a whole, are considered as part of the Group's strategic decision-making. The Directors' consider what is likely to promote the success of the Group for its stakeholders over the long term.

Customers

Southern Communications Group Limited ("SCGL") as a stand-alone entity does not have any significant customer relationships. Its subsidiaries have a broad spectrum of c21,000 customers and the Group engages with them on a regular basis through customer service reviews. The relationship with our customers is underpinned by our low levels of customer churn and strong TrustPilot scores.

Employees

SCGL's employees are its directors. Their key interests are considered to be the long-term performance of the Group, in particular its EBITDA and also their individual career development and opportunities, wellbeing, training and development. Their ability to help contribute to the future success of the Group, fair remuneration and working conditions and recognition and reward play a part in ensuring strong career development and opportunities.

The Board meets regularly to review financial information and consider acquisition opportunities. The Directors therefore are involved with the strategic decisions that impact the Group.

The employees of the subsidiaries have regular Performance Development Reviews, access to Employee Assistance Programmes and provide charitable support through targeted events and initiatives. The Group regularly recruits apprentices and has recently been awarded the ability to train employees to become Chartered Accountants by the Institute of Chartered Accountants in England and Wales.

Shareholders

Engagement with shareholders is essential to the success of the group. As the controlling shareholders are also the executive directors, they actively participate in the strategic direction of the Group. Their engagement is met by their Board participation and their close involvement with the strategic operations of the Group. The Board includes non-executive members and shareholder representatives, providing independent input to the boards discussions and decision making, ensuring the wide range of stakeholder views are appreciation and considered.

Suppliers

Whilst the parent company has a very limited supply chain, the Group's success is strongly influenced by its relationship with its suppliers with which the Group conducts regular operational reviews and settles their bills in a timely manner.

Southern Communications Group Limited

**Group Strategic Report
For the year ended 31 March 2020**

Community and the environment

The Group recognises how important socially responsible efforts are to their customers, employees and stakeholders and the group aims to contribute positively to the communities and environments in which it operates. *Engagement and activity in this area is a key stakeholder focus for the Group including participation in apprenticeship schemes and charitable fundraisings.*

The Group has considered its obligation under the Streamlined Energy and Carbon Reporting ("SECR") requirements and no company within the Group meets the requirement on an individual level and therefore no disclosure is required.

Results and dividends

The loss for the period amounts to £12,713,908 (2019 – loss of £13,280,071). No dividends were paid or proposed.

30/9/2020

This report was approved by the Board on and signed on its behalf by:

Paul Bradford

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PJ Bradford
Director

Southern Communications Group Limited

Directors' Report For the year ended 31 March 2020

The Directors present their report and the consolidated financial statements for the year ended 31 March 2020.

Directors of the Group

The Directors who held office during the year were as follows:

PJ Bradford
MO Kirk
AJ Moody
DC Phillips
JN Wilson
DC Goldie
M Caffrey
S Hollingsworth

Financial instruments

Objectives and policies

The Group makes limited use of any financial instruments in relation to hedging other than an interest rate hedge which limits its exposure to LIBOR changes. No hedge accounting is used.

Price risk, credit risk, liquidity risk and cash-flow risk

The Group operates in a competitive industry and, therefore, faces some price risk. As a reseller, the Group attempts to pass on any increased costs to its customers, although competition in the industry is occasionally a barrier. This is mitigated by focusing on growing the higher margin revenue streams.

The Group faces little financial risk in the form of bad debts, due to retaining ownership of the lines which it rents to customers. The maximum credit risk, therefore, is restricted to one month's income for the majority of customers.

The Group generates positive cash-flows, bank loans and loan notes to finance acquisitions. These are at market rates of interest for facilities of this type. An interest rate cap is utilised by the Group to hedge against LIBOR risk.

Employees

The Group's policy is to encourage employee involvement, thereby improving the Group's performance through regular meetings. Information on matters of concern to employees is given through staff newsletters, employee forums, management meetings and regular team briefings, which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

The Group gives full consideration to applications for employment from disabled persons where the requirement of the job, with adaptations if necessary, can be adequately filled by the applicant. In the event of members of staff becoming disabled, every effort is made to ensure their employment with the Group continues and the appropriate adjustments are made. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer a disability.

Directors third party indemnity insurance

Throughout the year indemnity insurance was held for the Directors of the Group.

Southern Communications Group Limited

**Directors' Report
For the year ended 31 March 2020**

Disclosure made in the strategic report

Disclosures relating to the Group's principal activity, future developments, principal risks and uncertainties, key financial performance indicators and results and dividends have been made in the strategic report and are not repeated here in accordance with Section 414C of the Companies Act 2006.

Post balance sheet events

There are no post balance sheet events for disclosure.

Disclosure of information to auditor

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

- so far as the Director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the Director have taken all the steps that they ought to have taken as Directors in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the Board and authorised for issue on 30/9/2020 and signed on its behalf by:

Paul Bradford

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PJ Bradford
Director

Southern Communications Group Limited

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 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 Group and Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

This report was approved by the Board and authorised for issue on 30/9/2020 and signed on its behalf by:

Paul Bradford
.....
PJ Bradford
Director



Independent Auditor's report to the members of Southern Communications Group Limited

Opinion

We have audited the financial statements of Southern Communication Group Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2020, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position and Company Statement of Financial Position, the Consolidated Statement of Changes in Equity and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 March 2020 and of the Group's loss for the year 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. We are independent of the Group 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.



Independent Auditor's report to the members of Southern Communications Group Limited

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's or the 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.

In our evaluation of the Directors' conclusions, we considered the risks associated with the Group's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Other information

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

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

We have nothing to report in 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 Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.



Independent Auditor's report to the members of Southern Communications Group Limited

Matter on which we are required to report under the Companies Act 2006

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 Group Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

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 for the financial statements

As explained more fully in the Directors' Responsibilities Statement on page 9, 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.

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



Independent Auditor's report to the members of Southern Communications Group Limited

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.

Grant Thornton UK LLP

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Norman Armstrong BSc FCA (Senior statutory auditor)

for and on behalf of

Grant Thornton UK LLP

Statutory Auditor

Chartered Accountants

Southampton

Date: 30/9/2020

Southern Communications Group Limited

**Consolidated Statement of Comprehensive Income
For the year ended 31 March 2020**

	Note	2020 £	2019 £
Turnover	4	86,938,169	70,243,373
Cost of sales		(43,216,764)	(35,943,267)
Gross profit		<u>43,721,405</u>	<u>34,300,106</u>
Administrative expenses		(42,206,801)	(36,925,777)
EBITDA		21,835,945	15,960,439
Amortisation of intangible assets		(18,552,289)	(17,381,199)
Depreciation of tangible assets		(1,769,052)	(1,204,911)
Operating profit / (loss)	5	1,514,604	(2,625,671)
Interest receivable and similar income	9	10,463	6,839
Interest payable and similar expenses	10	(14,767,918)	(9,555,266)
Loss before taxation		<u>(13,242,851)</u>	<u>(12,174,099)</u>
Taxation	11	528,943	(1,105,972)
Loss for the year and total comprehensive expense attributable to owners of the parent company		<u>(12,713,908)</u>	<u>(13,280,071)</u>

The notes on pages 19 to 44 form part of these financial statements.

Southern Communications Group Limited
Registered number: 10053004

Consolidated Statement of Financial Position
As at 31 March 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	12	133,389,483	140,532,526
Tangible assets	13	<u>3,676,544</u>	<u>3,367,835</u>
		137,066,027	143,900,361
Current assets			
Stocks	15	857,628	713,103
Debtors	16	12,513,911	11,401,610
Cash at bank and in hand		<u>10,460,017</u>	<u>8,299,660</u>
		23,831,556	20,414,372
Creditors: amounts falling due within one year	17	<u>(21,951,498)</u>	<u>(46,965,339)</u>
Net current assets / (liabilities)		1,880,058	(26,550,967)
Total assets less current liabilities		<u>138,946,085</u>	<u>117,349,394</u>
Creditors: amounts falling due after more than one year	17	(175,868,442)	(140,694,491)
Provisions	11	<u>(5,191,965)</u>	<u>(6,055,316)</u>
		(181,060,407)	(146,749,807)
Net liabilities		<u>(42,114,321)</u>	<u>(29,400,413)</u>
Capital and reserves			
Called up share capital	20	1,036	1,036
Share premium reserve		6,062,882	6,062,882
Treasury share reserve		(6,000,000)	(6,000,000)
Profit and loss account		<u>(42,178,239)</u>	<u>(29,464,331)</u>
Total equity		<u>(42,114,321)</u>	<u>(29,400,413)</u>

The notes on pages 19 to 44 form part of these financial statements.

30/9/2020

Approved by the Board and authorised for issue on and signed on its behalf by:

Paul Bradford

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PJ Bradford
 Director

Southern Communications Group Limited
Registered number:10053004

Company Statement of Financial Position
As at 31 March 2020

	Note	2020 £	2019 £
Fixed assets			
Investments	14	36,066	36,066
Current assets			
Debtors	16	31,632,638	29,954,884
Cash at bank and in hand		1,397	19,408
		<u>31,634,035</u>	<u>29,974,291</u>
Creditors: amounts falling due within one year	17	<u>(7,754,064)</u>	<u>(6,928,962)</u>
Net current assets		23,879,971	23,045,329
Total assets less current liabilities		23,916,037	23,081,396
Creditors: amounts falling due after more than one year	17	(28,380,042)	(24,832,723)
Net liabilities		<u>(4,464,005)</u>	<u>(1,751,327)</u>
Capital and reserves			
Called up share capital	20	1,036	1,036
Share premium reserve		6,062,882	6,062,882
Treasury shares		(6,000,000)	(6,000,000)
Profit and loss account brought forward		(1,815,245)	(400,130)
Loss for the year		<u>(2,712,678)</u>	<u>(1,415,115)</u>
Profit and loss account carried forward		(4,527,923)	(1,815,245)
Total equity		<u>(4,464,005)</u>	<u>(1,751,327)</u>

The notes on pages 19 to 44 form part of these financial statements.

Approved by the Board and authorised for issue on 30/9/2020 and signed on its behalf by:

Paul Bradford

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PJ Bradford
 Director

Southern Communications Group Limited

**Consolidated Statement of Changes in Equity
For the year ended 31 March 2020**

	Share capital £	Share Premium £	Treasury share reserve £	Profit and loss account £	Total £
At 1 April 2018	1,030	62,888	-	(16,184,260)	(16,120,342)
Loss for the year	-	-	-	(13,280,071)	(13,280,071)
Total comprehensive loss for the year	-	-	-	(13,280,071)	(13,280,071)
Debt to equity conversion	6	5,999,994	-	-	6,000,000
Purchase of own shares	-	-	(6,000,000)	-	(6,000,000)
Total transactions with owners recognised directly in equity	6	5,999,994	(6,000,000)	-	-
At 31 March 2019	1,036	6,062,882	(6,000,000)	(29,464,331)	(29,400,413)
Loss for the year	-	-	-	(12,713,908)	(12,713,908)
Total comprehensive loss for the year	-	-	-	(12,713,908)	(12,713,908)
Total transactions with owners recognised directly in equity	-	-	-	-	-
At 31 March 2020	1,036	6,062,882	(6,000,000)	(42,178,239)	(42,114,321)

The notes on pages 19 to 44 form part of these financial statements.

Southern Communications Group Limited

**Company Statement of Changes in Equity
For the year ended 31 March 2020**

	Share capital £	Share Premium £	Treasury share reserve £	Profit and loss account £	Total £
At 1 April 2018	1,030	62,888		(400,130)	(336,212)
Loss for the year	-	-	-	(1,415,115)	(1,415,115)
Total comprehensive loss for the year	-	-	-	(1,415,115)	(1,415,115)
Debt to equity conversion	6	5,999,994	-	-	6,000,000
Purchase of own shares	-	-	(6,000,000)	-	(6,000,000)
Total transactions with owners recognised directly in equity	6	5,999,994	(6,000,000)	-	-
At 31 March 2019	1,036	6,062,882	(6,000,000)	(1,815,245)	(1,751,327)
Loss for the year	-	-	-	(2,712,678)	(2,712,678)
Total comprehensive loss for the year	-	-	-	(2,712,678)	(2,712,678)
Total transactions with owners recognised directly in equity	-	-	-	-	-
At 31 March 2020	1,036	6,062,882	(6,000,000)	(4,527,923)	(4,464,005)

The notes on pages 19 to 44 form part of these financial statements.

Southern Communications Group Limited

Consolidated Cashflow Statement
For the year ended 31 March 2020

	2020 £	2019 £
Cash flows from operating activities		
Loss for the financial year	(12,713,908)	(13,280,071)
Adjustments for:		
Depreciation and amortisation	20,321,341	18,586,110
Loss on disposal of tangible assets	92,885	7,648
Loss on disposal of intangible assets	12,373	-
Interest received	(10,463)	(6,839)
Finance costs	14,767,918	9,555,266
Corporation tax	(528,943)	1,105,972
	<u>21,941,203</u>	<u>15,968,087</u>
Working capital adjustments:		
Decrease in stocks	273,475	154,576
Increase in debtors	(1,107,459)	(223,491)
Increase / (Decrease) in creditors	1,378,941	(1,832,681)
Cash generated from operations	<u>22,486,160</u>	<u>14,066,492</u>
Corporation tax paid	(2,566,159)	(1,211,056)
Net cash generated from operating activities	<u>19,920,001</u>	<u>12,855,436</u>
Cash flows from investing activities		
Purchase of subsidiaries (net of cash acquired)	(4,610,766)	(52,055,113)
Payment of contingent consideration for prior acquisitions	(27,791,794)	-
Acquisitions of intangible assets	(2,816,873)	(1,905,295)
Acquisitions of tangible assets	(2,151,015)	(2,092,989)
Proceeds from sale of tangible assets	40,129	1,425
Net cash used in investing activities	<u>(37,330,319)</u>	<u>(56,051,973)</u>
Cash flows from financing activities		
Interest paid	(7,486,749)	(16,617,609)
Interest received	10,463	6,839
Facility fees	-	(4,974,500)
Repayment of bank loans	-	(74,605,608)
Proceeds from new loans	27,200,000	141,132,123
Repayment of obligations under finance leases	(153,039)	(34,232)
Net cash used in financing activities	<u>19,570,675</u>	<u>44,907,012</u>
Net increase in cash and cash equivalents	<u>2,160,357</u>	<u>1,710,476</u>
Cash and cash equivalents at beginning of year	8,299,660	6,589,184
Cash and cash equivalents at the end of year	<u>10,460,017</u>	<u>8,299,660</u>

The notes on pages 19 to 44 form part of these financial statements.

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2020**

1. General information

The Company is a private Company limited by share capital incorporated in England and Wales. The address of its registered office is:

Glebe Farm
Down Street
Dummer
Basingstoke
RG25 2AD

The company's registered number is 10053004.

2. Accounting policies

2.1 Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.2 Statement of compliance

The financial statements were prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", the Companies Act 2006 and FRC Abstracts.

2.3 Basis of preparation

These financial statements have been prepared under the historical cost. The Company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual Statement of Comprehensive Income.

The parent Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Southern Communications Group Limited as at 31st March 2020. The loss for the Company for the year was (£2,712,678) (2019 – (£1,415,115)).

The financial statements are presented in the currency of the primary economic environment in which the Group operates (its functional currency), which is Sterling, rounded to the nearest £1.

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

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2020**

2.4 Basis of consolidation

These financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 March each year.

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the Group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combinations. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the Group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Where the Group has established employee benefit trusts ("EBT") and is the sponsoring entity, notwithstanding the legal duties of the trustees, the Group considers that it has 'de facto' control of such entities. Such arrangements are accounted for as assets and liabilities of the sponsoring company and included in the consolidated financial statements as appropriate. The Company's equity instruments held by the EBT are accounted for as if they were the Company's own equity and are treated as treasury shares. No gain or loss is recognised in profit or loss or other comprehensive income of the purchase, sale or cancellation of the Company's equity held by the EBT.

Inter-company transactions, balances and unrealised gains on transactions between the Company and its subsidiaries, which are related parties, are eliminated in full.

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2020**

2.5 Going concern

The Group reported a positive EBITDA for the year of £22m, with charges for amortization on acquisitions of £19m and an interest payable of £15m contributing to a reported loss for the year of £13m, with £8m net current assets excluding contingent consideration of £6m. As at 31 March 2020 the Group financing arrangements consisted of a total committed loan facility of £190.7m, of which £18m remains undrawn. This facility is due to expire on the 22 August 2025. The Group's forecasts and projections, taking into account reasonably possible changes in trading performance show that the Group will be able to operate within the level of its facilities for a forecast period of at least 12 months from the approval date of these financial statements and is still expecting to achieve an increase in EBITDA for the 12 months to 31 March 2021. In drawing a conclusion on the Group's ability to continue as a going concern, the Directors have assessed the financial risks to the organisation. The principle risk to going concern has been identified as COVID-19 and its impact on the wider economic environment and the Group.

Management has undertaken detailed financial forecasting to assess the effect of the Government imposed restrictions, considering both the Group, its customers, suppliers and staff. Forecasts have been stress tested to ensure robust assumptions are being made in the operational and financial management of the business.

In developing the forecasts key assumptions included; where the Group is eligible for government support schemes (including CJRS and VAT Deferral) these have been applied for, recurring revenue decreases and one off income is substantially impacted reducing gross profit by c8% and corresponding reductions in operating costs of c10% leading to an EBITDA reduction of 7% against the original budget.

Post year end recurring revenues have continued at similar levels prior to COVID-19, with the exception of fixed line and mobile call traffic, though this is returning towards Pre-COVID levels. On non-recurring streams there was a 3 month drop off, but the Directors do not believe this will continue in the long term. The EBITDA delivered by the Group post year end has been in line with the original budget.

Financial covenants set by lenders continue to be met and are anticipated to be met for the foreseeable future. With the agreement of our lender, the quarterly interest payment due for June 2020 was deferred and has been paid in September 2020 along with the normal quarterly payment. The Group overall is able to support the individual entities within it, should a need arise, but this is not envisaged given the Group forecasts, projections and expected cashflows.

In a constantly changing environment an agile approach has been taken, to facilitate our response to changes to organizational risk in a timely and robust manner. This includes both regular and event prompted reviews of risks, regular cash review and management, and staff working in a flexible manner to support the ongoing success of the Group.

At the time of approving the financial statements, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2020**

2.6 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when:

- the amount of revenue can be reliably measure;
- it is probable that future economic benefits will flow to the entity; and
- specific criteria have been met for each of the Group's activities.

Service revenue is recognised on the date that the service is provided to the customer, and revenue from the sale of goods is recognised at the point of delivery or, in the case of installations, according to the stage of completion of the project.

Revenue recognition on contracts can include multiple deliverables such as providing services over a period, and delivery of products provided as part of this contract.

In these circumstances, it is necessary to separately identify the contract components, and recognise revenue between the sale of goods and rendering of services by un-bundling the contract. The total consideration is assigned to each component and recognised at the point of delivery with reference to the fair value and performance obligations of each component. The fair value is determined by comparing to amounts billed by the Company on a single item basis or based upon historical sale mark-ups. Accrued or deferred income may arise where amounts are billed in advance or arrears of the recognition of the sale of goods or provision of services.

2.7 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated based on tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and or unused tax losses or tax credits in the Group. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Southern Communications Group Limited

Notes to the Financial Statements For the year ended 31 March 2020

2.8 Tangible assets

Tangible assets are stated in the Statement of Financial Position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged to write off the cost of assets, less any estimated residual value, over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Leasehold improvements	In accordance with the property lease
Plant and machinery	25% straight-line on cost
Motor vehicles	25% straight-line on cost
Computer and office equipment	20 – 33% straight-line on cost

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 Statement of Comprehensive Income.

2.9 Intangible assets

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised over its estimated useful life.

Intangible assets that have been acquired as part of business combinations, such as unregistered intellectual property and customer lists, are initially recognised at fair value at the date of acquisition representing the cost to acquire those assets and are subsequently stated at cost less accumulated amortisation and accumulated impairment losses. In the current year the Group has early adopted the triennial amendments in FRS102. Prospectively from adoption intangibles on a business combination are only recognised where they are both separable and arise from contractual or legal rights.

Contingent consideration is initially recognised at an estimated amount where the consideration is probable and can be measured reliably. When contingent consideration previously measured is adjusted the amounts are recognised as an adjustment to the cost of the business combination.

Southern Communications Group Limited

Notes to the Financial Statements For the year ended 31 March 2020

2.9 Intangible assets (continued)

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value over their useful life as follows:

Asset class	Amortisation method and rate
Goodwill	10 years straight-line
Unregistered intellectual property	10 years straight-line
Customer lists	10 years straight-line
Computer software	3 years straight-line

Asset lives for Goodwill, Unregistered intellectual property and customer lists are based on past experience of expected lives of customer relationships. Amortisation charges are included in profit or loss within administrative expenses.

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

2.10 Investments

Investments in subsidiary undertakings are measured at cost, including those directly attributable to the investment in said subsidiary undertakings, less any impairment.

2.11 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.

2.12 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.13 Leases

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.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the short of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance costs in profit or loss and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2020**

2.14 Share capital

Ordinary shares classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

2.15 Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are approved by the shareholders.

2.16 Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

2.17 Financial instruments

The Group adopted sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss. If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Such assets are subsequently carried at fair value and the changes in the fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when:

- (a) the contractual rights to the cash flow from the asset expire or are settled; or
- (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party; or
- (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Southern Communications Group Limited

Notes to the Financial Statements
For the year ended 31 March 2020

2.17 Financial instruments (continued)

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are present as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are recognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to sell on a net basis or to realise the asset and settle the liability simultaneously.

2.18 Related parties

The Group discloses transactions and balances with related parties which are not wholly owned within the same group.

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2020**

3. Key accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Critical judgements

i. Useful economic lives of customer lists

The useful lives of acquired customer lists are estimated based on prior experience on past acquisitions of the expected lifetime of the underlying customer base. The Group reviews estimated useful lives of assets annually to and where necessary useful lives are adjusted.

At the year end the carrying value of acquired customers lists was £31 million (2019: £35 million) and the annual amortisation charge was £5 million (2019: £5 million).

ii. Impairment of intangible assets and goodwill and COVID 19.

The Group considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified an estimation of recoverable value is ascertained using publicly published Private Equity multiples for similar transactions in the market.

The judgement of the Directors is that the global coronavirus pandemic has not resulted in an impairment of its goodwill or customer lists for past acquisitions. This judgement is based on the trading performance of the company to the end of March 2020. The UK entered a lockdown period on 23rd March, given the short period between lockdown and the year end there was no impact on trading in the year. Given its diverse customer base and the necessity of expenditure on communication, at the year end the Directors were not expecting a significant reduction in its existing customer base because of the pandemic. The pandemic was not therefore considered to be an indicator of impairment at the year end.

The carrying value of goodwill at the year-end was £92 million (2019: £104 million) and the amortisation charge for the year was £17m (2019: £12 million).

The Directors have reviewed factors for impairment in light of COVID-19, discount factors and future cash flows from customer contracts are considered to remain unchanged post the balance sheet date. Therefore, no impairment is considered appropriate.

Key sources of estimation uncertainty

i. Consideration paid on acquisition

The value of investments in newly acquired subsidiaries include contingent and deferred consideration, which are estimated by management based on forecast trading of the acquired company. At the year end the estimated deferred consideration was £6 million (2019: £31 million). Increases to prior year estimates of £2.8 million were made in the year.

Southern Communications Group Limited

Notes to the Financial Statements For the year ended 31 March 2020

4. Revenue

The analysis of the Group's revenue for the year from continuing operations is as follows:

	2020	2019
	£	£
Rendering of services	82,484,214	67,899,662
Sale of goods	4,193,663	2,176,010
Commissions received	260,292	167,701
	<u>86,938,169</u>	<u>70,243,373</u>

Turnover has been wholly generated within the United Kingdom.

5. Operating profit/(loss)

Arrived at after charging;

	2020	2019
	£	£
Depreciation of owned assets	1,769,052	1,204,911
Amortisation expense	18,552,289	17,381,199
Operating lease expense	882,095	953,183
Loss on disposal of property, plant and equipment	92,885	7,648
Loss on disposal of intangible fixed assets	12,373	-
Bad debt expense	<u>338,190</u>	<u>143,853</u>

6. Auditor's remuneration

Fees payable to the Company's auditor and its associates for the audit of the parent Company and the Group's consolidated financial statements

	2020	2019
	£	£
Audit of the financial statements	21,000	23,000
Audit of subsidiary financial statements	157,965	143,250
Tax compliance services	94,300	57,000
Other non audit services	<u>72,040</u>	<u>59,750</u>
	<u>345,305</u>	<u>283,000</u>

The parent company has taken advantage of the disclosure exemption in respect of non-audit fees as the statutory disclosure is provided for the Group above.

7. Employees

The aggregate payroll costs (including Directors' remuneration) were as follows:

	2020	2019
	£	£
Wages and salaries	14,528,246	10,556,030
Social security costs	1,586,837	1,884,818
Pension costs, defined contribution scheme	<u>284,893</u>	<u>242,912</u>
	<u>16,399,976</u>	<u>12,683,761</u>

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2020**

7. Employees (continued)

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	2020 No.	2019 No.
Calls and lines	129	108
Mobile and data	23	16
Maintenance	13	14
General	170	163
New equipment and installations	24	25
Management	12	12
	<u>371</u>	<u>338</u>

The average number of persons employed by the parent Company (including directors) during the year, analysed by category, was as follows:

	2020 No.	2019 No.
Management	<u>8</u>	<u>8</u>

8. Directors' remuneration

The Director's remuneration for the year was as follows:

	2020 £	2019 £
Remuneration	726,524	783,117
Amounts paid to third parties	50,000	47,953
	<u>776,524</u>	<u>831,070</u>

In respect of the highest paid Director

	2020 £	2019 £
Remuneration	<u>175,781</u>	<u>165,360</u>

Key management compensation

The compensation paid or payable to key management for employee services is show below:

	2020 £	2019 £
Key management compensation		
Remuneration	<u>972,593</u>	<u>962,349</u>

Southern Communications Group Limited

Notes to the Financial Statements For the year ended 31 March 2020

9. Interest receivable

	2020	2019
	£	£
Interest income on bank deposits	<u>10,463</u>	<u>6,839</u>

10. Interest payable and similar expenses

	2020	2019
	£	£
Interest on bank overdrafts and borrowings	10,543	1,174,513
Interest on loan notes	-	2,281,541
Interest on other loans	14,757,375	6,099,122
Other finance charges	-	-
	<u>14,767,918</u>	<u>9,555,266</u>

11. Taxation

Tax credited in the income statement

	2020	2019
	£	£
Current tax:		
UK corporation tax	628,098	1,845,657
Adjustments in respect of prior periods	<u>(293,690)</u>	<u>(15,818)</u>
	334,408	1,829,839
Deferred tax:		
Arising from origination and reversal of timing differences	<u>(863,351)</u>	<u>(723,867)</u>
Tax charge in the profit and loss account	<u>(528,943)</u>	<u>1,105,972</u>

The tax on loss before tax for the period is higher than (2019 – higher than) the standard rate of corporation tax in the UK of 19% (2019 – 19%).

	2020	2019
	£	£
Loss on ordinary activities before taxation	<u>(13,242,851)</u>	<u>(12,174,099)</u>
Corporation tax at standard rate (19%)	(2,516,142)	(2,313,079)
Disallowable amortisation	2,373,373	3,096,549
Disallowable interest	-	206,506
Expense adjustments	256,732	226,736
Adjustments in respect of prior periods	(293,690)	(15,818)
Acquired losses	(44,905)	-
Research and Development tax credit	(304,311)	(94,942)
Other timing differences	-	-
Total tax charge	<u>(528,943)</u>	<u>1,105,952</u>

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2020**

11. Taxation (continued)

Deferred tax:

	2020	2019
	£	£
At 1 April	(6,055,316)	(6,692,130)
Acquired with subsidiaries	-	(87,053)
Charged to the profit and loss account	863,351	723,867
At 31 March	<u>(5,191,965)</u>	<u>(6,055,316)</u>

Analysis of deferred tax

	2020	2019
	£	£
Capital allowances	176,217	153,677
Deferred tax provision on valuation of intangible fixed assets	5,082,030	5,984,946
Losses carried forward	(16,328)	(18,840)
Other temporary timing differences	(49,953)	(64,467)
Deferred tax provision	<u>5,191,965</u>	<u>6,055,316</u>

The net deferred tax liability is expected to reverse in the coming financial period is £827,000 (2019 - £827,000). This relates primarily to the reversal of timing differences on acquired intangible and tangible assets and capital allowances.

The rate of corporation tax will remain at 19% from April 2020, this was substantively enacted on 17 March 2020 and has been applied to the timing differences expected to reverse after this date. In the prior year, the rate was expected to reduce to 17% (substantively enacted September 2016) and 17% was therefore applied to deferred tax balances in 2019.

Southern Communications Group Limited

Notes to the Financial Statements
For the year ended 31 March 2020

12. Intangible assets

Group

	Goodwill £	Unregistered intellectual property £	Customer lists £	Computer software £	Other £	Total £
Cost						
At 1 April 2019	122,760,648	1,050,000	47,894,175	808,770	49,874	172,563,467
Additions	8,107,764	-	2,231,051	1,080,331	2,473	11,421,619
Disposals	(157,381)	-	-	(88,750)	-	(246,131)
At 31 March 2020	<u>130,711,031</u>	<u>1,050,000</u>	<u>50,125,226</u>	<u>1,800,351</u>	<u>52,347</u>	<u>183,738,955</u>
Amortisation						
At 1 April 2019	18,322,730	356,963	13,174,424	124,477	52,347	32,030,941
Charge for the period	12,885,436	105,000	5,199,555	362,298	-	18,552,289
Disposals	(157,031)	-	-	(76,727)	-	(233,758)
At 31 March 2020	<u>31,051,135</u>	<u>461,963</u>	<u>18,373,979</u>	<u>410,048</u>	<u>52,347</u>	<u>50,349,472</u>
Net book value						
At 31 March 2020	<u>99,659,896</u>	<u>588,037</u>	<u>31,751,247</u>	<u>1,390,303</u>	<u>-</u>	<u>133,389,483</u>
At 31 March 2019	<u>104,437,918</u>	<u>693,037</u>	<u>34,719,751</u>	<u>684,293</u>	<u>(2,473)</u>	<u>140,532,526</u>

Company

No intangible fixed assets are held by the parent company.

The amortisation charge is included within administrative expenses in the statement of total comprehensive income.

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2020**

13. Tangible fixed assets**Group**

	Leasehold improvements £	Plant and machinery £	Motor Vehicles	Computer and office equipment £	Total £
Cost					
At 1 April 2019	691,775	1,912,836	87,022	2,656,341	5,347,974
Additions	79,580	1,217,354	21,977	832,104	2,151,015
Acquired through business combinations	-	36,587	-	23,173	59,760
Disposals	-	(166,664)	(47,788)	(485,541)	(699,993)
At 31 March 2020	<u>771,355</u>	<u>3,000,113</u>	<u>81,211</u>	<u>3,026,077</u>	<u>6,858,756</u>
Depreciation					
At 1 April 2019	206,300	706,557	9,214	1,058,068	1,980,139
Charge for the period	111,603	732,021	51,159	874,269	1,769,052
Eliminated on disposal	-	(139,486)	-	(427,493)	(566,979)
At 31 March 2020	<u>317,903</u>	<u>1,299,092</u>	<u>60,373</u>	<u>1,504,844</u>	<u>3,182,212</u>
Net book value					
At 31 March 2020	<u>453,452</u>	<u>1,701,021</u>	<u>838</u>	<u>1,521,233</u>	<u>3,676,544</u>
At 31 March 2019	<u>485,475</u>	<u>1,206,279</u>	<u>77,808</u>	<u>1,598,273</u>	<u>3,367,835</u>

Company

No tangible fixed assets are held by the parent company.

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2020 £	2019 £
Computer equipment	<u>-</u>	<u>16,403</u>

14. Fixed asset investments

Company	2020 £	2019 £
Investments in subsidiaries	<u>36,066</u>	<u>36,066</u>
	Subsidiaries £	
Cost		
At 1 April 2019		36,066
Additions		-
At 31 March 2020		<u>36,066</u>
Net book value		
At 31 March 2020		<u>36,066</u>
At 31 March 2019		<u>36,066</u>

Southern Communications Group Limited

Notes to the Financial Statements For the year ended 31 March 2020

14. Fixed asset investments (continued)

Details of undertakings

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares
Direct Subsidiaries			
Southern Communications Investments Limited	England and Wales	Ordinary	100%
Southern Communications EBT Newco Limited	England and Wales	Ordinary	100%
Indirect Subsidiaries			
Southern Communications Holdings Limited	England and Wales	Ordinary	100%
Southern Business Technologies Limited	England and Wales	Ordinary	100%
Southern Communications Limited	England and Wales	Ordinary	100%
Southern Communications Networks Limited	England and Wales	Ordinary	100%
Efar Limited	England and Wales	Ordinary	100%
Ascent Global Services Limited	England and Wales	Ordinary	100%
Hullabaloo Communications Limited	England and Wales	Ordinary	100%
Atech Network Services Limited	England and Wales	Ordinary	100%
Southern Communications Corporate Solutions Limited (formerly Switch Limited)	England and Wales	Ordinary	100%
Converse Telecom Limited	England and Wales	Ordinary	100%
Integrated Business Systems Limited	England and Wales	Ordinary	100%
Southern Communications Data Services Limited formerly Link Connect Limited	England and Wales	Ordinary	100%
DCS Voice and Vision Limited	England and Wales	Ordinary	100%
Verranti Limited	England and Wales	Ordinary	100%
Alliance Communications Solutions Limited	England and Wales	Ordinary	100%
Switch IP Limited	England and Wales	Ordinary	100%
Southern Data Limited	England and Wales	Ordinary	100%
Pinnacle Managed Services Limited	England and Wales	Ordinary	100%
Extrasource Limited	England and Wales	Ordinary	100%
Pinnacle Telecom (Wales) Limited	England and Wales	Ordinary	100%
3 Circles Communications Limited	England and Wales	Ordinary	100%
2 Circles Communications Limited	England and Wales	Ordinary	100%
Et Al Innovations Limited	England and Wales	Ordinary	100%
Dataphone Communications Limited	England and Wales	Ordinary	100%
Dataphone Services Limited	England and Wales	Ordinary	100%
New Star Networks Ltd	England and Wales	Ordinary	100%
DataKom Limited	England and Wales	Ordinary	100%
Commsplus Limited	England and Wales	Ordinary	100%
Maxwell Grant Limited	England and Wales	Ordinary	100%
9Dots Holdings Limited	Scotland	Ordinary	100%
9Dots Consulting Limited	Scotland	Ordinary	100%
Privilege Consulting Limited	England and Wales	Ordinary	100%
Inveniam Communication Solutions Limited	Scotland	Ordinary	100%

The principal activities, registered offices and principal place of business of each subsidiary is shown in note 31.

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2020**

15. Stocks

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Raw materials	100,128	-	-	-
Work in progress	449,644	230,102	-	-
Finished goods	307,856	483,001	-	-
	<u>857,628</u>	<u>713,104</u>	<u>-</u>	<u>-</u>

There is no significant difference between the replacement cost of finished goods and their carrying amounts.

16. Debtors

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Trade debtors	3,294,204	2,887,709	-	-
Amounts owed by group companies	-	-	31,614,340	29,951,958
Other debtors	934,373	2,790,033	8,298	2,926
Corporation tax recoverable	682,928	-	-	-
Prepayments and accrued income	7,602,406	5,723,867	10,000	-
	<u>12,513,911</u>	<u>11,401,610</u>	<u>31,632,638</u>	<u>29,954,884</u>

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

17. Creditors

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Due within one year				
Trade creditors	4,970,112	4,630,553	11,401	17,710
Other loans	-	-	-	-
Finance lease liabilities	69,672	13,406	-	-
Amounts due to group companies	-	-	7,742,663	6,613,175
Corporation tax	161,541	1,710,364	-	298,077
Social security and other taxes	2,991,676	2,521,711	-	-
Accruals and deferred income	13,758,497	38,089,307	-	-
	<u>21,951,498</u>	<u>46,965,340</u>	<u>7,754,064</u>	<u>6,928,962</u>

Included within accruals and deferred income is contingent consideration in respect of acquisitions in the year of £6,221,000 (2019: £31,112,449).

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Southern Communications Group Limited

Notes to the Financial Statements For the year ended 31 March 2020

17. Creditors (continued)

Due after one year	Group	2019	Company	2019
	2020		2020	
	£	£	£	£
Due between one and five years				
Finance lease liabilities	208,695	-	-	-
Other loans	175,659,747	24,018,842	28,380,042	24,832,723
	<u>175,868,442</u>	<u>24,018,842</u>	<u>28,380,042</u>	<u>24,832,723</u>
Due after five years	Group		Company	
	£	£	£	£
Other loans	-	116,675,649	-	-

18. Loans and other borrowings

	Group	2019	Company	2019
	2020		2020	
	£	£	£	£
Other loans	175,659,747	140,694,491	28,380,042	24,832,723

Facility A £24,100,000 issued 22 August 2019 repayable by balloon repayment on 22 February 2024. The loan bears interest, payable quarterly of 2.75% plus LIBOR. The loan is held at amortised cost and net of £914,112 transaction costs.

Facility B £67,400,000 issued 22 August 2019 repayable by balloon repayment on 22 August 2025. The loan bears interest, of 7% plus LIBOR, 5% is payable quarterly and the remainder cumulatively accrues quarterly. The loan is held at amortised cost and net of £2,556,480 transaction costs.

Acquisition facility £28,425,000, drawdown throughout 2019 and £8,750,000 during the current year, to support the acquisition strategy. Each tranche bears interest of 7% plus LIBOR, 5% is payable quarterly and the remainder cumulatively accrues quarterly. The loan is held at amortised cost and net of £1,078,519 transaction costs.

Additional acquisition facility £28,662,500, drawdown throughout the year to support the acquisition strategy. Each tranche bears interest of 7% plus LIBOR. The loan is held at amortised cost and net of £931,531 transaction costs.

PIK facility £18,200,000 issued 22 August 2019 repayable by balloon repayment on 22 August 2025. The loan bears cumulative interest, which is accrued quarterly of 12%. The loan is held at amortised cost and net of £690,325 transaction costs.

PIK facility £6,000,000 issued 22 August 2019 repayable by balloon repayment on 22 August 2025. The loan bears cumulative interest, which is accrued quarterly of 12% per annum. The loan is held at amortised cost and net of £227,580 transaction costs.

The Group has a LIBOR cap at 1.5% for £68,625,000 in place at the year end. The premium and fair value movement of this derivative financial instrument are not material for further disclosure.

All loan facilities are secured by cross guarantee across the Group.

£Nil (2019: £140,694,491) of loans are due after more than 5 years.

Southern Communications Group Limited

Notes to the Financial Statements
For the year ended 31 March 2020

19. Finance leases

The Group has future minimum finance lease payments as follows:

	2020	2019
	£	£
Not later than one year	69,672	13,406
Later than one year and not later than five years	208,695	-
Later than five years	-	-
Total gross payments	<u>278,367</u>	<u>13,406</u>
Less: finance charges	-	-
Carrying amount of liability	<u>278,367</u>	<u>13,406</u>

20. Share capital**Allotted, called up and fully paid shares**

	2020		2019	
	No.	£	No.	£
Ordinary A shares of £0.001	325,000	325	325,000	325
Ordinary B shares of £0.001	230,633	231	230,633	231
Ordinary C1 shares of £0.001	155,000	155	155,000	155
Ordinary C2 shares of £0.001	20,000	20	20,000	20
Ordinary D shares of £0.001	129,764	130	129,764	130
Ordinary E shares of £0.003	20,000	60	20,000	60
Ordinary F shares of £0.000001	6,000,000	6	6,000,000	6
Ordinary G1 shares of £0.0001	109,091	11	109,091	11
Ordinary G2 shares of £0.0009	109,091	99	109,091	99
	<u>7,098,579</u>	<u>1,036</u>	<u>7,098,579</u>	<u>1,036</u>

Issue and allotment of share capital

During the prior year 109,603 Ordinary D Shares were converted to 109,091 Ordinary G1 and Ordinary G2 shares. The Ordinary G1 shares were acquired by the EBT and are held as Treasury shares at their acquisition value. None of these shares are under options to employees or have been conditionally gifted to employees.

During the prior year a shareholder loan note of £6,000,000 was converted into F shares.

Southern Communications Group Limited

Notes to the Financial Statements For the year ended 31 March 2020

20. Share capital (continued)

Share rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:

The Ordinary A shares have attached to them full voting (one vote per share), dividend and capital distribution (including winding up) rights. In the event of a material default and subject to the 'Voting Adjustment Notice', the voting rights of the A shares increase to 100,000 votes per share until such a time that the material default has been rectified or the Voting Adjustment Notice is revoked. The Ordinary A shares are not redeemable.

The Ordinary B shares have attached to them full voting (one vote per share), dividend and capital distribution (including winding up) rights. The Ordinary B shares are not redeemable.

The Ordinary C1 shares have attached to them full voting (one vote per share), dividend and capital distribution (including winding up) rights. The Ordinary C1 shares are not redeemable.

The Ordinary C2 shares have attached to them full dividend and capital distribution (including winding up) rights. The Ordinary C2 shares are not redeemable and they do not hold any right to vote.

The Ordinary D shares have attached to them full voting (one vote per share), dividend and capital distribution (including winding up) rights. The Ordinary D shares are not redeemable.

The Ordinary E shares have attached to them full voting (2.75 votes per share), dividend and capital distribution (including winding up) rights. The Ordinary E shares are not redeemable.

The Ordinary F shares (in aggregate) are entitled to receive by way of dividend an amount equal to 1% on any amounts paid by way of distribution on the B shares. They are entitled to 10.909% of proceeds on exit or liquidation between an equity value of £6m and £61m. The Ordinary F shares carry no voting rights.

The G1 Ordinary shares are entitled to a fixed cumulative dividend of 2% of the amount paid up on each share. The dividend is compounded annually and is repayable on the earliest of

- i) A return of assets on liquidation, capital reduction or other distribution of capital
- ii) A Share sale or listing; or
- iii) Each EBT PIK facility repayment date (84 months after issue of the facility)

The cumulative rights are reflected as a liability in the entities financial statements. The shares are held by the EBT and as such the liability of £870,606 (2019: £749,297) and cumulative preference dividend of £121,309 (2019: £65,438) is offset with the EBT in the parent entities and Group financial statements.

The G1 Ordinary shares have no voting rights.

On a return of assets on liquidation or capital reduction or otherwise the surplus assets shall be applied in the following order of priority,

- 1) G1 Ordinary shares in aggregate £6,000,000
- 2) Other equity shares (except F and G2) up to £61,000,000
- 3) All share other than F and G1 over £61,000,000

The G2 Ordinary shares have one vote per share.. They are entitled to 0% of proceeds on exit or liquidation between an equity value of £6m and £61m and pro rata above £61m. The G2 shares, other than the rights disclosed above, rank *pari passu* with other shareholders in their rights to dividends.

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2020**

21. Reserves

Share premium

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Treasury share reserve

The Treasury share reserve consists of shares repurchased by the Group's Employee Benefit Trust.

At 31 March 2020 109,091 (2019: 109,091) ordinary G1 shares were held by the Employee Benefit Trust.

Profit and loss account

The profit and loss account contains the accumulated net losses incurred by the Group.

22. Commitments

Group

The Group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2020 No.	2019 £
Payments due:		
Not later than one year	1,175,516	862,562
Later than one year and not later than five years	2,182,920	2,225,318
Later than five years	265,022	375,000
	<u>3,623,458</u>	<u>3,462,880</u>

The Group had no other off-balance sheet arrangement or commitments.

Company

The Company had no capital or other commitments at 31 March 2020.

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2020**

23. Business combinations

Commsplus Limited

On 18th November 2019, Southern Communications Holdings Limited acquired 100% of the issued share capital of Commsplus Limited.

Commsplus Limited contributed revenue of £1,320,165 and £553,326 loss to the Group's loss before taxation for the period between the date of acquisition and the balance sheet date.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below. At the date of acquisition no fair value adjustments were required.

Assets and liabilities acquired

	Fair value £
Intangible assets	-
Property, plant & equipment	59,760
Current assets	207,635
Current liabilities	(275,110)
total identifiable net assets	<u>(7,715)</u>
Goodwill	2,092,120
Total consideration	<u><u>2,084,405</u></u>
Satisfied by:	
Cash	1,798,023
Deferred contingent consideration	200,000
Directly attributable costs	86,382
Total consideration transferred	<u><u>2,084,405</u></u>

Contingent consideration is dependent on future performance of each acquisition. Where the consideration has been paid after the year end and before the signing of the Group financial statements the actual payments have been included. Where the amounts are still outstanding the amount recognised is based on management's best estimate of the amount payable. There were adjustments to the estimated deferred consideration of £2.8m

Goodwill represents the excess of the cost of acquisition over the the fair value of the identifiable, contractual and seperable net assets at the date of acquisition. Goodwill represents the benefits that the Group expects to derive from customer lists, synergies, revenue growth, future market development and the assembled workforces of the acquired entities. These benefits are not recognised separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2020**

23. Business combinations (continued)

During the year, the following companies were acquired by 2 Circles Limited

Maxwell Grant Limited
9Dots Holdings Limited
9Dots Consulting Limited
Privilege Consulting Limited
Inveniam Communication Solutions Limited

The total consideration was £2,817,776 and net assets acquired were £42,086. Immediately after acquisition the trading activities of these companies was transferred to the new parent company, 2 Circles Limited and the acquisition companies were dormant thereafter. On hive up of the trading activities the investment carrying value was transferred to goodwill and subsequently amortised over the estimated useful economic life of the customer bases of the acquired entities.

24. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £284,893 (2019: £242,912). Contributions totalling £61,929 (2019 - £49,574) were payable to the fund at the balance sheet date.

25. Related party transactions

Investor shareholder loan notes and other transactions

At the year end, the total amount due to shareholders of the parent company in relation to loan notes and accrued interest was £Nil (2019 - £Nil). The loan notes attracted interest at a rate of 12% and during the period a total of £Nil (2019: £1,033,314) was charged to the Statement of Comprehensive Income, all of which was paid.

During the year, fees and disbursements totalling £97,066 (2019 - £160,231) were paid to investor shareholders.

Director shareholder loan notes

At the year end, the total amount due to shareholders of the ultimate parent company in relation to loan notes and accrued interest was £Nil (2019 - £Nil). The loan notes attracted interest at a rate of 12% and during the year a total of £Nil (2019 - £1,236,356) was charged to the Statement of Comprehensive Income, all of which was paid in the prior year.

At the year end, the total amount due to the non-executive Director shareholder in relation to loan notes and accrued interest was £Nil (2019 - £Nil). These loan notes attracted interest at a rate of 12% and during the period a total of £Nil (2019: £11,871) was charged to the Statement of Comprehensive Income, all of which was paid.

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2020**

26. Net debt reconciliation

	At 1 April 2019	Cash flows	New loans	Non-cash changes	At 31 March 2020
Cash at bank and in hand	8,299,660	2,160,357	-		10,460,017
Other loans due within one year	-	-	-	-	-
Finance lease liabilities	(13,406)	153,039	-	(418,000)	(278,367)
Other loans due after more than one year	(140,694,491)	-	(27,200,000)	(7,765,256)	(175,659,747)
Total	(132,408,237)	2,313,396	(27,200,000)	(8,183,256)	(165,478,097)

Non-cash changes against other loans represent prepaid financing costs and effective interest rate adjustments.

27. Financial instruments

	Group 2020 £	2019 £	Company 2020 £	2019 £
Financial assets that are debt instruments measured at amortised cost	4,228,577	5,677,742	31,622,638	29,954,884
Financial liabilities measured at amortised cost	(197,380,032)	(182,009,125)	(36,134,106)	(30,649,727)
	(193,151,455)	(176,331,383)	(4,511,468)	(694,843)

Financial assets that are debt instruments measured at amortised cost comprise trade and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors (including taxation) and other loans.

28. Post balance sheet events

There were no material post balance sheet events.

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2020**

29. Contingent liabilities

Southern Communications Group Limited has provided an unlimited guarantee over all the liabilities of the following subsidiaries:

Direct Subsidiaries	Registered Number
Southern Communications Investments Limited	10053141
Southern Communications EBT Newco Limited	11511537
Indirect Subsidiaries	
Southern Communications Holdings Limited	08413599
Southern Business Technologies Limited	04323164
Efar Limited	03949538
Southern Communications Corporate Solutions Limited (formerly Switch Limited)	02645307
Converse Telecom Limited	04610392
Integrated Business Systems Limited	03923927
Southern Communications Data Services Limited	03265174
DCS Voice and Vision Limited	04450370
Verranti Limited	07215650
Et AI Innovations Limited	03718039
Dataphone Communications Limited	02346987
New Star Networks Limited	07143368
Maxwell Grant Limited	04676982
9Dots Holdings Limited	SC482933
9Dots Consulting Limited	SC345348
Privilege Consulting Limited	06523752
Inveniam Communication Solutions Limited	SC484547

Three of the above entities have net liabilities at the year-end totalling £26,608,170 (2019: £16,404,686). All of the above entities have taken the audit exemption under s479A Companies act 2006.

The Company has entered into a cross guarantee arrangement to secure the loans of the Group. At the year end the total outstanding facilities were £175,659,747 (2019: £140,694,491)

30. Ultimate controlling party

The Directors believe there to be no ultimate controlling party.

Southern Communications Group Limited

Notes to the Financial Statements
For the year ended 31 March 2020

31. Subsidiary companies

	Principal Activity	Registered office	Principal place of business
Direct Subsidiaries			
Southern Communications Investments Limited	Holding company	Glebe Farm, Dummer	Glebe Farm, Dummer
Southern Communications EBT Newco Limited	Trustee company	Glebe Farm, Dummer	Glebe Farm, Dummer
Indirect Subsidiaries			
Southern Communications Holdings Limited	Holding company	Glebe Farm, Dummer	Glebe Farm, Dummer
Southern Business Technologies Limited	Holding company	Glebe Farm, Dummer	Glebe Farm, Dummer
Southern Communications Limited	Telecommunications	Glebe Farm, Dummer	Glebe Farm, Dummer
Southern Communications Networks Limited	Dormant	Glebe Farm, Dummer	Glebe Farm, Dummer
Efar Limited	Telecommunications	Glebe Farm, Dummer	Yeo Bank Business Park, 12 - 16 Addiscombe Road,
Ascent Global Services Limited	Dormant	Glebe Farm, Dummer	Glebe Farm, Dummer
Hullabaloo Communications Limited	Dormant	Glebe Farm, Dummer	12 - 16 Addiscombe Road,
Atech Network Services Limited	Dormant	Glebe Farm, Dummer	12 - 16 Addiscombe Road,
Southern Communications Corporate Solutions Limited (formerly Switch Limited).	Telecommunications	Glebe Farm, Dummer	Navson House, Egham
Converse Telecom Limited	Telecommunications	Glebe Farm, Dummer	Heartlands Business Park,
Integrated Business Systems Limited	Telecommunications	Glebe Farm, Dummer	Tilford House, Farnham
Southern Communications Data Services	Telecommunications	Glebe Farm, Dummer	7 Titan Court, Luton.
DCS Voice and Vision Limited	Telecommunications	Glebe Farm, Dummer	Navson House, Egham
Verranti Limited	Dormant	Glebe Farm, Dummer	Glebe Farm, Dummer
Alliance Communications Solutions Limited	Dormant	Glebe Farm, Dummer	12 - 16 Addiscombe Road,
Switch IP Limited	Dormant	Glebe Farm, Dummer	Glebe Farm, Dummer
Southern Data Limited	Dormant	Glebe Farm, Dummer	Links Business Park, Cardiff
Pinnacle Managed Services Limited	Holding company	Glebe Farm, Dummer	Glebe Farm, Dummer
Extrasource Limited	Dormant	Glebe Farm, Dummer	Links Business Park, Cardiff
Pinnacle Telecom (Wales) Limited	Telecommunications	Glebe Farm, Dummer	Ver House. 23-25 High
3 Circles Communications Limited	Holding company	Ver House. 23-25 High	Ver House. 23-25 High
2 Circles Communications Limited	Telecommunications	Ver House. 23-25 High	Glebe Farm, Dummer
Et AI Innovations Limited	Telecommunications	Glebe Farm, Dummer	Solutions House, Ilford
Dataphone Communications Limited	Telecommunications	Glebe Farm, Dummer	Solutions House, Ilford
Dataphone Services Limited	Telecommunications	Glebe Farm, Dummer	8 Lincolns Inn Fields,
New Star Networks Ltd	Telecommunications	Glebe Farm, Dummer	4 Old Field Road, Bridgend.
DataKom Limited	Telecommunications	Glebe Farm, Dummer	51 Gazelle Road, Weston
Commsplus Limited	Telecommunications and related IT services	Glebe Farm, Dummer	Super Mare, Somerset
Maxwell Grant Limited	Telecommunications and related IT services	Ver House. 23-25 High Street, St Albans	Ver House. 23-25 High Street, St Albans
9Dots Holdings Limited	Holding company	Pavilion 5 Macmerry	Pavilion 5 Macmerry
9Dots Consulting Limited	Telecommunications and related IT services	Satellite Park, East Lothian	Satellite Park, East Lothian
Privilege Consulting Limited	Telecommunications and related IT services	Pavilion 5 Macmerry	Pavilion 5 Macmerry
Inveniam Communication Solutions Limited	Telecommunications and related IT services	Satellite Park, East Lothian	Satellite Park, East Lothian
		Ver House. 23-25 High Street, St Albans	Ver House. 23-25 High Street, St Albans
		Norsea House Crawpeel Road, Aberdeen, Scotland	Norsea House Crawpeel Road, Aberdeen, Scotland