

**REGISTERED NUMBER: 10053004 (England and Wales)**

**GROUP STRATEGIC REPORT, DIRECTORS' REPORT AND  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023  
FOR  
SOUTHERN COMMUNICATIONS GROUP LIMITED**

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**SOUTHERN COMMUNICATIONS GROUP LIMITED**

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FOR THE YEAR ENDED 31 MARCH 2023**

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**SOUTHERN COMMUNICATIONS GROUP LIMITED**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 MARCH 2023**

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**DIRECTORS:**

P J Bradford  
D C Coldic  
M O Kirk  
A J Moody  
D C Phillips  
J N Wilson

**REGISTERED OFFICE:**

Glebe Farm  
Down Street  
Dummer  
Hampshire  
RG25 2AD

**REGISTERED NUMBER:**

10053004 (England and Wales)

**INDEPENDENT AUDITORS:**

Grant Thornton UK LLP  
Southampton Science Park  
Chilworth  
Southampton  
Hampshire  
SO16 7QJ

## SOUTHERN COMMUNICATIONS GROUP LIMITED

### GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2023

The directors present their strategic report of the company and the group for the year ended 31 March 2023.

#### PRINCIPAL ACTIVITY

Southern Communications Group Limited (Group) is a leading supplier of its own Cloud based hosted telephony to resellers both as a SaaS (Software as a 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-side wide area networks, Cloud data solutions, hosted telephony, business calls & line rental and full mobile service provision. The solutions are delivered and supported nationally across the UK and South Africa.

#### REVIEW OF BUSINESS

The Group made 5 acquisitions during the year and 3 post year end. The acquisitions added a South African direct business presence and back office services (New Star Networks PTY), geographic expansion into the Southwest (Eurolink Connect Limited, Channel Comms Limited and Horizon Telecom Limited), further South East scale (post year end Glemstone Telecommunications Limited) and further Midlands scale (post year end EBT Maintenance Limited and MPS Networks Limited) creating with TIC (The Independent Choice) Limited a scale Midlands hub. The acquisitions fall in line with the Group's plan to expand rapidly through a mixture of controlled organic growth and sustainable acquisitions.

Fuse 2 Communications Limited is a strategic acquisition as it adds enhanced SIP and hosted telephony capabilities to the Group.

Acquisitions and payment of contingent consideration were funded through cash generated from operations and the further drawdown of £8.2m from existing debt facilities (see note 22 for details on the loans held by the group).

#### Positioned for growth

With the Group's technology platform, demonstrated and sustained organic fixed recurring margin from both direct and indirect sales channels, the Board feel that the Group is now ideally positioned for growth, organically and through a continued well thought out acquisition strategy. The Group has £43.5million of unutilised acquisition facilities plus £50.0million of additional facilities agreed post year end (see note 22 for details on the loans held by the group).

The Group reported revenue of £125.0million (2022: £98.1million) and loss before tax of £20.1 million (2022: £16.1million). Revenue growth for the year was £26,917,567 of which £8,143,862 was achieved through current year acquisition.

The directors consider the key performance indicators of the business to be turnover, gross profit, gross profit margin % EBITDA\*. EBITDA\* to operating cash flow conversion and EBITDA\* margin percentage. The directors consider EBITDA to be a clear indicator of underlying performance of the group given the significance of charges in respect of depreciation, amortisation and interest, along with certain Group covenants being linked to EBITDA.

	2023	2022
Turnover (£)	125,028,058	98,110,491
Gross profit (£)	72,341,406	52,711,869
Gross profit margin	57.86%	53.73%
EBITDA*	34,925,649	24,768,514
EBITDA* margin	27.93%	25.25%
EBITDA* to operating cash-flow conversion	97.99%	89.65%

\*Earnings before interest, taxation, depreciation, amortisation, exceptional items. Refer to Note 8

EBITDA margin = EBITDA/Turnover

EBITDA to operating cash flow-conversion= Operating cash-flow/EBITDA

## **SOUTHERN COMMUNICATIONS GROUP LIMITED**

### **GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2023**

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#### Review of Group trading

Revenue during the year excluding acquisitions, was stable year on year, impacted by a reduction in a project-based income (13%) and reduced legacy products (15%) in the group's subsidiary companies. However, the ownership of our own hosted platforms has offset these trends with the value of annual hosted gross margin increasing by 25% year on year. Underlying growth in gross profit for the year excluding acquisitions was 5.4% and on a pro-forma basis including acquired entities was 14%.

Hosted telephony and data gross margin represented 36% (2022: 24%) and 19% (2022: 21%) of gross margin respectively for the year (including acquisitions).

Throughout the period, administrative expenses have grown, in part due to inflationary pressures as well as rising interest rates. These costs are tightly monitored and controlled, and savings are made where possible through synergies from acquisitions.

The Group made a loss before tax of £20.1million (2022: £16.1million). The drop from EBITDA of £34.9million (2022: £24.8million) to the loss before tax is attributable to both the amortisation charge in the year arising on consolidation and interest on the loans held by the Group.

Cash remained stable year on year at £11.5million (2022: £12.0million) after the Group funded £10.3million of acquisitions through own cash and had an increase in interest payments of £4.8million compared to FY22.

Underlying debt increased by £16.7million in the year predominantly because of monies drawn down to fund acquisitions (£8.2million). Interest paid was £13.1million compared to £8.2million in the prior year. The majority of this increase was due to the changing interest rate environment.

Amortisation charged in the year has grown by £4.9million to £25.9million predominantly due to the acquisition of X-On Health Limited (Formerly Storacall Technology Limited) and further acquisitions made in the year and net book value of intangible assets of £160.0million includes £134.6million of goodwill. (Note 33)

#### Strong market performance

As a platform, the Group is a full cloud infrastructure provider incorporating the best of breed Tier2 ISP with 6 points of presence across the country and interconnects to virtually every major carrier in the UK. MyPhones, our SME focussed hosted cloud telephony platform is embedded across 3 data centres in full active mode within the UK, 2 of which are outside our ISP network, providing added resilience.

Surgery Connect is embedded across 3 data centres within the UK. 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 & WLAN security solutions.

The Group is also one of only 10 O2 and 16 EE service providers in the UK.

### **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 benefit from aggregating external services.

The Group is certified under ISO 27001 security, as well as Cyber Essentials Plus with a dedicated Chief Security Officer within the business 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 the risk of cyber-attacks and telephone fraud with full Board visibility.

## **SOUTHERN COMMUNICATIONS GROUP LIMITED**

### **GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2023**

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#### Macro-economic conditions

The Group's revenues and operations are mostly UK based, and while the UK economy is facing uncertainty, it will almost certainly create opportunities for the Group, which has traditionally seen strong trading during downturns in the UK economic environment.

The Directors have therefore not identified any significant risks associated with the current economic situation, although continue to carefully monitor the situation including the ongoing war in Ukraine and inflation in the UK.

Rising interest rates present a risk to the Group but the Directors have addressed the current interest rate conditions by entering into a 2.5% SONIA cap for £110million of the Southern Communications Holdings Limited debt. This was taken out on 4 August 2022, effective 31 March 2022. This was arranged through Santander UK PLC, with a termination date of 30 September 2024.

#### 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 UK PLC and Ares.

#### Going concern

The Group reported a positive EBITDA for the year of £34.9m, with charges for amortisation of £25.9m and interest payable of £25.3m (£13.1m was paid, £8.8m PIK'd and £3.4m unwinding of discounted cashflows) contributing to a reported loss before taxation for the year of £20.1m, with £17.5m net current liabilities.

As at 31 March 2023 the Group financing arrangements consisted of a total committed senior loan facility of £211.2m, of which £43.5m for purchase of acquisitions remained undrawn. The Facility A1 of £29.8million is due to expire on the 22 February 2026 with the Facility A2 and acquisition facilities, due to expire on 22 August 2026. The PIK facilities are due to expire on 25<sup>th</sup> February 2029. On 27th July 2023 an additional facility for £50.0 million was agreed for further purchase of acquisitions, this facility is due to expire on 22 August 2026 and bears interest of 7.25% plus SONIA, 5.25% will be payable bi-annually and the remainder cumulatively accrues at 2% quarterly. At the date of approval of the financial statements, there have been no drawdowns against this additional facility.

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 to a period to 31 December 2024 and is still expecting to achieve an increase in EBITDA for the period to 31 December 2024. 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 and evaluated a number of scenarios including reverse stress testing covenant compliance. The principal risks to going concern have been identified as the impact on the wider economic environment and the Group from rising inflation in the UK which could impact revenue and EBITDA growth which in turn could impact covenant compliance.

Financial covenants set by lenders are cashflow cover, super senior net leverage and senior net leverage which continue to be met and are anticipated to be met for the period to 31 December 2024. Covenants in place are cashflow cover and senior net leverage which continue to be met. Stress testing resulting in a covenant breach would be an 18% drop in EBITDA for the period to 31 December 2024 which is considered implausible as it would require the business to stop making new sales, and for a high number of customers to churn away.

Forecasts for the group's future performance include continued compliance of these covenants. 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 2023**

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#### Future developments

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

#### **SECTION 172(1) STATEMENT**

This statement should be read in conjunction with the Directors report.

#### Engaging with our stakeholders

The Board recognises the importance of understanding the views of the Group's key stakeholders. The parent entity's stakeholders include primarily their employees, shareholder, investors and customers of the Group and the Group's suppliers. A range of mechanisms for engaging with 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 Company for the benefit of its members as a whole, are considered as part of the Company's strategic decision-making.

#### Employees

The Group values its employees and sees that its staff are key for driving growth and success of the business. During the year the average number of employees grew to 607 from 422 in 2022. This growth is in part due to acquisitions in the year, but also due to the Group investing in people and growing its talent pool. The Group focuses on ensuring staff have development and progression opportunities and a staff survey was completed during the year to provide valuable insight to senior management. The results of the survey were reported to the Board who have the opportunity to develop future surveys to key areas of interest.

#### Statement of engagement with suppliers, customers and others in a business relationship with the company

Southern Communications Group Limited ("SCGL") as a stand-alone entity does not have any significant customer relationships. Its subsidiaries have a broad spectrum of customers with 25,700 at 31 March 2023 and the Group engages with them on a regular basis through Customer Service reviews. Customer experience is a critical focus to the Group, and this is what enables the Group to foster long-term partnerships and help our clients achieve even greater business success. The relationship with our customers is underpinned by our low levels of revenue churn and strong TrustPilot scores of 4.9/5.

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.

#### 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 operation of the Group.

#### Community and the environment

Our employees are passionate about the impact of the Group on society, the economy and environment and in the period have taken initiative to drive the Group's CSR community with full support of the Board.

The Group has taken the option to exclude disclosure from the streamlined energy and carbon reporting (SECR) regulations, as no individual subsidiary of the Group would itself be obliged to include reporting on its own account.

#### The need to act fairly between members of the Company

The Board recognises that they have to balance competing interests in reaching its decisions. Where there are conflicting interests, the Board will act as equitably and fairly as it is able, to consider the implication for each stakeholder.

**SOUTHERN COMMUNICATIONS GROUP LIMITED**

**GROUP STRATEGIC REPORT  
FOR THE YEAR ENDED 31 MARCH 2023**

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**SECTION 172(1) STATEMENT- continued**

Results and dividends

The loss for the period amounts to £21,172,948 (2022: £20,009,158). No dividends were paid or proposed.

**ON BEHALF OF THE BOARD:**

*Paul Bradford*

.....  
P J Bradford - Director

Date: 26/10/2023  
.....



## **SOUTHERN COMMUNICATIONS GROUP LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2023**

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The directors present their report with the financial statements of the company and the group for the year ended 31 March 2023.

#### **DIVIDENDS**

No dividends will be distributed for the year ended 31 March 2023.

#### **EVENTS SINCE THE END OF THE YEAR**

The Group acquired the entire issued share capital of EBT Maintenance Limited on 7 June 2023.

The Group acquired the entire issued share capital of MPS Networks Limited on 11 July 2023.

The Group acquired the entire issued share capital of Glemstone Telecommunications Limited on 20 July 2023.

On 24<sup>th</sup> May 2023, Storacall Technology Limited changed its name to X-On Health Limited.

On 27th July 2023 an additional facility was agreed with our lenders for £50.0 million, this facility will be repayable by balloon repayment on 22 August 2026 and bears interest of 7.25% plus SONIA, 5.25% will be payable bi-annually and the remainder cumulatively accrues at 2% quarterly.

On 16<sup>th</sup> October 2023, 2 Circles Communications Limited changed its name to SCG Cloud Limited.

#### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1 April 2022 to the date of this report.

P J Bradford

D C Goldie

M O Kirk

D C Phillips

Other changes in directors holding office are as follows:

A J Moody - appointed 1 December 2022

J N Wilson - appointed 1 December 2022

#### **FINANCIAL INSTRUMENTS**

##### Objectives and policies

The Group's principal financial instruments comprise bank loans, bank balances, trade debtors and trade creditors. These instruments provide working capital and acquisition finance for the business and allow it to continue its growth and the acquisition of strategically complementary businesses.

##### 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 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, can be restricted to one month's income for the majority of customers.

The business generates positive operational cash-flows, bank loans and loan notes to finance acquisitions. These are at market rates of interest for facilities of this type.

The Group faces little liquidity risk, it has maintained a high percentage of cash generation which more than covers any short-term liabilities.

#### **DIRECTORS AND THIRD PARTY INDEMNITY INSURANCE**

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

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## **SOUTHERN COMMUNICATIONS GROUP LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2023**

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#### **RESEARCH AND DEVELOPMENT**

The Group continues to utilise its technical expertise to remain at the forefront of innovative technology and produce specialist products and services to maximise the performance and capabilities of its customers. The Group is a leading supplier of its own hosted telephony platform, which we continue to develop and building robust bespoke systems for effective operations of the business.

Total Group expenditure on research and development in the year was £1,469,610 (2022: £675,711) a further £2,389,217 (2022: £1,009,657) was capitalised during the year.

#### **EMPLOYEE ENGAGEMENT DISCLOSURE**

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.

SCGL's employees are its Directors and staff that perform group functions. Their key interests are considered to be the long-term performance of the business, 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.

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. Their salaries are benchmark to market rates.

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 the ability to train employees to become Chartered Accountants by the Institute of Chartered Accountants in England and Wales.

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.

#### **DISCLOSURE IN THE STRATEGIC REPORT**

Disclosures relating to the Group's principal activity, future developments, principal risks and uncertainties, going concern, statement of engagement with suppliers, customers and others in a business relationship with the company, 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.

#### **DISCLOSURE OF INFORMATION TO AUDITOR**

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

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**SOUTHERN COMMUNICATIONS GROUP LIMITED**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2023**

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**AUDITORS**

The auditors, Grant Thornton UK LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

*Paul Bradford*

.....  
P J Bradford - Director

Date: 26/10/2023  
.....

## **SOUTHERN COMMUNICATIONS GROUP LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 MARCH 2023**

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The Directors are responsible for preparing the Group Strategic and Directors Reports 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 and profit or loss of the company and group 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 company will continue in business.

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

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. The directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the company's performance, business model and strategy and is fair, balanced and understandable.

To the best of our knowledge:

- the group financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This report was approved by the Board and authorised for issue on 26/10/2023 and signed on its behalf by:

*Paul Bradford*

.....  
**P J Bradford**  
Director

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

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### Opinion

We have audited the financial statements of Southern Communications Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2023, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Cash Flow Statement, notes to the financial statements and Consolidated Cash Flow Statement, 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 2023 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 and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as the cost of living crisis, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

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### Other information

The other information comprises the information included in the strategic report and directors' report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the strategic report and directors' report. 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.

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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

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

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

### 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 their environment obtained in the course of the audit, we have not identified material misstatements in the 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

As explained more fully in the directors' responsibilities statement set out on page 10, 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.

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

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### **Auditors' 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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and the parent company and industry in which it operates through our commercial and sector experience; making enquiries of management; and inspection of the group and the parent company's key external correspondence. We corroborated our enquiries throughout review of board minutes and other information obtained throughout the audit.
- Through the understanding that we obtained, we determined the most significant legal and regulatory frameworks which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks including the United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; the Companies Act 2006; and relevant tax legislation.
- We assessed the susceptibility of the group and the parent company's financial statements to material misstatement, including how fraud might occur, by considering management's incentives and opportunities for manipulation of the financial statements. This included estimation and judgemental areas of recognition of revenue; potential management bias in determining accounting estimates; and through management override of controls.
- Our audit procedures included:
  - Making enquiries of management concerning the group and the parent company's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
  - Gaining an understanding of the controls management have in place to prevent and detect fraud.
  - Journal entry testing with a focus on material manual journals, including those with unusual account combinations and those that increased profit or were posted directly to control accounts.
  - Challenging significant accounting assumptions, estimates and judgements made by management, including those made in relation to revenue recognition and accuracy of accounting for acquisitions.
  - Assessing the extent of compliance with relevant laws and regulations as part of our audit procedures on the related financial statement item; and
  - Performing audit procedures to consider the compliance of disclosure in the financial statements with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- We did not identify any matters relating to non-compliance with laws and regulation or relating to fraud.

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

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### **Auditors' responsibilities for the audit of the financial statements- continued**

- For components at which audit procedures were performed, as the auditor of the group and relevant components, we performed those procedures directly.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagements team's:
  - Understanding of, and practical experience with audit engagements of similar nature and complexity through appropriate training and participation.
  - Knowledge of the industry in which the group and the parent company operates; and
  - Understanding of the relevant legal and regulatory frameworks specific to the group and the parent company.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

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

*Grant Thornton UK LLP*

**Norman Armstrong BSc FCA**  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Southampton  
Date: 26/10/2023



**SOUTHERN COMMUNICATIONS GROUP LIMITED****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2023**

	Notes	2023 £	2022 £
<b>TURNOVER</b>	5	<b>125,028,058</b>	98,110,491
Cost of sales		<u>(52,686,652)</u>	<u>(45,398,622)</u>
<b>GROSS PROFIT</b>		<b>72,341,406</b>	52,711,869
Administrative expenses		<u>(67,530,415)</u>	<u>(52,058,600)</u>
		<b>4,810,991</b>	653,269
Other operating income		<u>314,871</u>	<u>14,443</u>
<b>OPERATING PROFIT</b>	8	<b>5,125,862</b>	667,712
Interest receivable and similar income	11	<u>35,989</u>	<u>584,982</u>
		<b>5,161,851</b>	1,252,694
Interest payable and similar expenses	12	<u>(25,258,566)</u>	<u>(17,324,878)</u>
<b>LOSS BEFORE TAXATION</b>		<b>(20,096,715)</b>	(16,072,184)
Tax on loss	13	<u>(1,076,233)</u>	<u>(3,936,974)</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>		<b>(21,172,948)</b>	(20,009,158)
<b>OTHER COMPREHENSIVE INCOME</b>		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>(21,172,948)</u></b>	<b><u>(20,009,158)</u></b>
Loss attributable to: Owners of the parent		<u>(21,172,948)</u>	<u>(20,009,158)</u>
Total comprehensive income attributable to: Owners of the parent		<u>-</u>	<u>-</u>

The notes on pages 23 to 57 form part of these financial statements.

**SOUTHERN COMMUNICATIONS GROUP LIMITED (REGISTERED NUMBER: 10053004)****CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
31 MARCH 2023**

	Notes	£	2023 £	£	2022 £
<b>FIXED ASSETS</b>					
Intangible assets	15		159,983,354		151,604,817
Tangible assets	16		9,649,244		6,885,807
Investments	17		-		-
			<u>169,632,598</u>		<u>158,490,624</u>
<b>CURRENT ASSETS</b>					
Stocks	18	1,922,587		974,067	
Debtors	19	25,451,726		16,384,665	
Cash at bank and in hand		<u>11,521,194</u>		<u>12,077,889</u>	
			38,895,507		29,436,621
<b>CREDITORS</b>					
Amounts falling due within one year	20	(56,402,383)		(34,431,850)	
<b>NET CURRENT LIABILITIES</b>			<u>(17,506,876)</u>		<u>(4,995,229)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			152,125,722		153,495,395
<b>CREDITORS</b>					
Amounts falling due after more than one year	21		(234,382,491)		(215,758,954)
<b>PROVISIONS FOR LIABILITIES</b>	24		<u>(6,726,851)</u>		<u>(6,307,651)</u>
<b>NET LIABILITIES</b>			<u>(88,983,620)</u>		<u>(68,571,210)</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	25		1,036		1,036
Share premium	26		6,062,882		6,062,882
Capital contribution reserve	26		760,538		-
Profit and loss account	26		<u>(95,808,076)</u>		<u>(74,635,128)</u>
			<u>(88,983,620)</u>		<u>(68,571,210)</u>

The financial statements were approved and authorised for issue by the Board of Directors and authorised for issue on 26/10/2023 and were signed on its behalf by:

*Paul Bradford*

P J Bradford - Director

The notes on pages 23 to 57 form part of these financial statements

**SOUTHERN COMMUNICATIONS GROUP LIMITED (REGISTERED NUMBER: 10053004)****COMPANY STATEMENT OF FINANCIAL POSITION****31 MARCH 2023**

	Notes	£	2023 £	£	2022 £
<b>FIXED ASSETS</b>					
Intangible assets	15		-		-
Tangible assets	16		310,725		-
Investments	17		<u>37,047</u>		<u>36,066</u>
			347,772		36,066
<b>CURRENT ASSETS</b>					
Debtors	19	38,065,989		37,320,370	
Cash in hand		<u>168,811</u>		<u>22,888</u>	
		38,234,800		37,343,258	
<b>CREDITORS</b>					
Amounts falling due within one year	20	<u>(14,648,194)</u>		<u>(8,308,394)</u>	
<b>NET CURRENT ASSETS</b>			<u>23,586,606</u>		<u>29,034,864</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			23,934,378		29,070,930
<b>CREDITORS</b>					
Amounts falling due after more than one year	21		<u>(40,537,603)</u>		<u>(35,931,959)</u>
<b>NET LIABILITIES</b>			<u>(16,603,225)</u>		<u>(6,861,029)</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	25		1,036		1,036
Share premium	26		6,062,882		6,062,882
Capital contribution reserve	26		732,280		-
Profit and loss account	26		<u>(23,399,423)</u>		<u>(12,924,947)</u>
			<u>(16,603,225)</u>		<u>(6,861,029)</u>
Company's loss for the financial year			<u>(10,474,476)</u>		<u>(5,149,590)</u>

The financial statements were approved and authorised for issue by the Board of Directors and authorised for issue on 26/10/2023 and were signed on its behalf by:

*Paul Bradford*

P J Bradford - Director

The notes on pages 23 to 57 form part of these financial statements

**SOUTHERN COMMUNICATIONS GROUP LIMITED****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2023**

	Called up share capital £	Profit and loss £	Share premium £	Treasury share reserve £	Capital contribution reserve £	Total equity £
<b>Balance at 1 April 2021</b>	<b>1,036</b>	<b>(54,625,970)</b>	<b>6,062,882</b>	<b>(6,000,000)</b>	<b>-</b>	<b>(54,562,052)</b>
<b>Changes in equity</b>						
Loss for the year	-	(20,009,158)	-	-	-	(20,009,158)
Disposal of treasury shares	-	-	-	6,000,000	-	6,000,000
<b>Balance at 31 March 2022</b>	<b>1,036</b>	<b>(74,635,128)</b>	<b>6,062,882</b>	<b>-</b>	<b>-</b>	<b>(68,571,210)</b>
<b>Changes in equity</b>						
Loss for the year	-	(21,172,948)	-	-	-	(21,172,948)
Capital Contribution from ultimate parent	-	-	-	-	760,538	760,538
<b>Balance at 31 March 2023</b>	<b>1,036</b>	<b>(95,808,076)</b>	<b>6,062,882</b>	<b>-</b>	<b>760,538</b>	<b>(88,983,620)</b>

The notes on pages 23 to 57 form part of these financial statements

**SOUTHERN COMMUNICATIONS GROUP LIMITED****COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2023**


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	Called up share capital	Profit and loss	Share premium	Treasury share reserve	Capital contribution reserve	Total equity
	£	£	£	£	£	£
<b>Balance at 1 April 2021</b>	1,036	(7,775,357)	6,062,882	(6,000,000)	-	(7,711,439)
<b>Changes in equity</b>						
Loss for the year	-	(5,149,590)	-	-	-	(5,149,590)
Disposal of treasury shares	-	-	-	6,000,000	-	6,000,000
<b>Balance at 31 March 2022</b>	<u>1,036</u>	<u>(12,924,947)</u>	<u>6,062,882</u>	<u>-</u>	<u>-</u>	<u>(6,861,029)</u>
<b>Changes in equity</b>						
Loss for the year	-	(10,474,476)	-	-	-	(10,474,476)
Capital Contribution from ultimate parent	-	-	-	-	732,280	732,280
<b>Balance at 31 March 2023</b>	<u>1,036</u>	<u>(23,399,423)</u>	<u>6,062,882</u>	<u>-</u>	<u>732,280</u>	<u>(16,603,225)</u>

The notes on pages 23 to 57 form part of these financial statements

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**SOUTHERN COMMUNICATIONS GROUP LIMITED****CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2023**

	Notes	2023 £	2022 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	34,225,021	22,203,908
Tax paid		(993,315)	(1,236,000)
Net cash from operating activities		<u>33,231,706</u>	<u>20,967,908</u>
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		(1,272,312)	(1,465,421)
Purchase of tangible fixed assets	16	(8,579,861)	(3,513,026)
Purchase of subsidiaries (net of cash)	3	(12,267,412)	(13,931,458)
Payment of contingent consideration		(5,322,945)	(3,952,695)
Sale of tangible fixed assets		30,605	-
Interest received		35,989	-
Net cash from investing activities		<u>(27,375,936)</u>	<u>(22,862,600)</u>
<b>Cash flows from financing activities</b>			
New loans in year	22	8,200,000	10,672,750
Interest paid		(13,111,051)	(8,207,061)
Interest received		-	87,555
Cash received from interest cap		347,096	-
Cash paid for interest cap		(1,583,288)	-
Capital repayments in year	3	(265,222)	(280,759)
Net cash from financing activities		<u>(6,412,465)</u>	<u>2,272,485</u>
(Decrease)/increase in cash and cash equivalents		(556,695)	377,793
Cash and cash equivalents at beginning of year	2	12,077,889	11,700,096
Cash and cash equivalents at end of year	2	<u>11,521,194</u>	<u>12,077,889</u>

The notes on pages 23 to 57 form part of these financial statements

**SOUTHERN COMMUNICATIONS GROUP LIMITED****NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2023****1. RECONCILIATION OF LOSS FOR THE FINANCIAL YEAR TO CASH GENERATED FROM OPERATIONS**

	2023	2022
	£	£
Loss for the financial year	(21,172,948)	(20,009,158)
Depreciation charges	3,868,809	2,182,412
Amortisation charges	25,930,979	20,993,390
Loss/(Profit) on disposal of fixed and intangible assets	(15,329)	101,594
Movement in capital contribution reserve	760,538	-
Movement in derivative financial asset	(3,591,013)	-
Finance costs	25,258,566	17,324,878
Finance income	(35,989)	(584,982)
Taxation	1,076,233	3,936,974
	<b>32,079,846</b>	<b>23,945,108</b>
(Increase)/decrease in stocks	(948,520)	250,360
(Increase)/decrease in trade and other debtors	(2,740,358)	3,250,679
Increase/(decrease) in trade and other creditors	5,834,053	(5,242,239)
<b>Cash generated from operations</b>	<b><u>34,225,021</u></b>	<b><u>22,203,908</u></b>

**2. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

**Year ended 31 March 2023**

	2023	2022
	£	£
Cash and cash equivalents	<b><u>11,521,194</u></b>	<b><u>12,077,889</u></b>

**Year ended 31 March 2022**

	2022	2021
	£	£
Cash and cash equivalents	<b><u>12,077,889</u></b>	<b><u>11,700,096</u></b>

The notes on pages 23 to 57 form part of these financial statements

**SOUTHERN COMMUNICATIONS GROUP LIMITED****NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2023****3. ANALYSIS OF CHANGES IN NET DEBT**

	At 1/4/22	Cash Flow	Acquisition of Subsidiaries (gross cashflows) *	Other Non-Cash Movements *	At 31/03/23
	£	£	£	£	£
<b>Net cash</b>					
Cash at bank and in hand	12,077,889	13,088,686	(13,645,381)	-	11,521,194
<b>Debt</b>					
Finance leases	(237,609)	265,222	-	(623,050)	(595,437)
Debts falling due after 1 year	(205,538,918)	4,252,554		(20,948,391)	(222,234,755)
<b>Total</b>	<b>(193,698,638)</b>	<b>17,606,462</b>	<b>(13,645,381)</b>	<b>(21,571,441)</b>	<b>(211,308,998)</b>

\* Other non-cash changes represent interest expense determined using effective interest method of accounting

\*\* The net cashflows for the acquisition of subsidiaries were £12,267,412 (see business combination note 33)

The notes on pages 23 to 57 form part of these financial statements



## **SOUTHERN COMMUNICATIONS GROUP LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**

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#### **1. STATUTORY 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, Hampshire, England, RG25 2AD.

The Company's registered number is 10053004.

The Company and its subsidiaries (the "Group") provide 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.

#### **2. STATEMENT OF COMPLIANCE**

The group and individual financial statements of Southern Communications Group Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

##### **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.

#### **3. ACCOUNTING POLICIES**

##### **3.1 Basis of preparing the financial statements**

The financial statements have been prepared under the historical cost convention.

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 paragraphs 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 2023.

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 4).

## **SOUTHERN COMMUNICATIONS GROUP LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MARCH 2023**

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#### **3. ACCOUNTING POLICIES - continued**

##### **3.2 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 combination 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. Share Purchase Agreements are reviewed for indicators of service conditions and if identified, further disclosures will be included in the Group's consolidated financial statements. To date, no such clauses have been identified. 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 and are immaterial for disclosure. 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.

##### **3.3 Going concern**

The Group reported a positive EBITDA for the year of £34.9m, with charges for amortisation of £25.9m and interest payable of £25.3m (£13.1m was paid and £8.8m PIK'd and £3.4m unwinding of discounted cashflows) contributing to a reported loss before taxation for the year of £20.1m, with £17.5m net current liabilities.

As at 31 March 2023 the Group financing arrangements consisted of a total committed senior loan facility of £211.2m, of which £43.5m for purchase of acquisitions remained undrawn. The Facility A1 of £29.8million is due to expire on the 22 February 2026 with the Facility A2 and acquisition facilities, due to expire on 22 August 2026. The PIK facilities are due to expire on 25<sup>th</sup> February 2029. On 27th July 2023 an additional facility for £50.0 million was agreed for further purchase of acquisitions, this facility is due to expire on 22 August 2026 and bears interest of 7.25% plus SONIA, 5.25% will be payable bi-annually and the remainder cumulatively accrues at 2% quarterly. At the date of approval of the financial statements, there have been no drawdowns against this additional facility.

## **SOUTHERN COMMUNICATIONS GROUP LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MARCH 2023**

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#### **3. ACCOUNTING POLICIES - continued**

##### **3.3 Going Concern- continued**

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 to a period to 31 December 2024 and is still expecting to achieve an increase in EBITDA for the period to 31 December 2024. 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 and evaluated a number of scenarios including reverse stress testing covenant compliance. The principal risks to going concern have been identified as the impact on the wider economic environment and the Group from rising inflation in the UK which could impact revenue and EBITDA growth which in turn could impact covenant compliance.

Financial covenants set by lenders are cashflow cover, super senior net leverage and senior net leverage which continue to be met and are anticipated to be met for the period to 31 December 2024. Covenants in place are cashflow cover and senior net leverage which continue to be met. Stress testing resulting in a covenant breach would be an 18% drop in EBITDA for the period to 31 December 2024 which is considered implausible as it would require the business to stop making new sales, and for a high number of customers to churn away.

Forecasts for the Group's future performance include continued compliance of these covenants. 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.

##### **3.4 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 and discounts and after eliminating sales within the group.

The Group recognises revenue when:

- the amount of revenue can be reliably measured ;
- 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.

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 Group on a single 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.

**SOUTHERN COMMUNICATIONS GROUP LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023**

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**3. ACCOUNTING POLICIES - continued**

**3.5 Goodwill**

Goodwill represents the difference between the amounts paid in on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to the initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

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

Goodwill is amortised over 10 years on a straight-line basis.

**3.6 Intangible assets**

Intangible assets that have been acquired as part of the 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, including contingent consideration and are subsequently stated at cost less accumulated amortisation and accumulated impairment losses.

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.

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

<u>Asset Class</u>	<u>Amortisation method and rate</u>
Unregistered intellectual property	10 years straight-line
Customer lists	10 years straight-line
Computer software	3 years straight-line

Asset lives for 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 asset's 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.

**SOUTHERN COMMUNICATIONS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023****3. ACCOUNTING POLICIES - continued****3.7 Tangible fixed assets**

Tangible assets are stated in the Balance Sheet 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 costs of assets, less any estimated residual value, over their estimated useful lives, as follows:

<u>Asset class</u>	<u>Depreciation method and rate</u>
Leasehold improvements	In accordance with the property lease straight-line on cost
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.

**3.8 Investments**

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

**3.9 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.

## **SOUTHERN COMMUNICATIONS GROUP LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MARCH 2023**

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#### **3. ACCOUNTING POLICIES - continued**

##### **3.10 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 are 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 for investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably which 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 settle; or
- (b) substantially all 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.

##### 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.

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-downs 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.

## **SOUTHERN COMMUNICATIONS GROUP LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MARCH 2023**

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#### **3. ACCOUNTING POLICIES - continued**

##### 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.

##### **3.11 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 direct costs of issuing the equity instruments. If payment is deferred and the time value is material, the initial measurement is on a present value basis.

##### **3.12 Taxation**

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

##### **3.13 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.

##### **3.14 Hire purchase and leasing commitments**

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 Balance Sheet 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 CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023**

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**3. ACCOUNTING POLICIES - continued**

**3.15 Defined contribution pension obligation**

A defined contribution plan is a pension plan 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.

**3.16 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

**3.17 Alternative performance measures**

Management exercises judgement in determining adjustments to apply FRS102 measurements in order to derive suitable alternative performance measures (APMs) which are not used by management to provide additional useful information on the trends, performance and position of the Group. These measures are used for performance analysis by the Board, are not defined by FRS102 and not intended to be a substitute for FRS102 measurements. They may not be directly comparable with other companies APMs.

**3.18 Share based payment transactions**

Saint Topco Limited, the Company's parent operates an equity-settled share-based payment plan under which the Company receives services from employees as consideration for equity instruments (shares) in the parent company.

The fair value of the equity instruments issued is measured by reference to the estimated fair value at the subscription date of the equity instruments issued and is recognised as an expense over the period in which the Company will benefit from the employment services received.

The estimated fair value of the equity instruments issued is calculated using the Monte Carlo simulation method.

The share-based payments are recharged by Saint Topco Limited to the subsidiaries. These are accounted for in the subsidiaries as an expense in the profit or loss and as capital contribution reserve in the balance sheet.



**SOUTHERN COMMUNICATIONS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023****4. 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 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. Impairment of intangible assets and goodwill.**

The Group considers whether intangible assets and/or goodwill are impaired. Rising interest rates and the wider economic uncertainty during the year were considered indicators of impairment. Where an indication of impairment is identified an estimation of recoverable value being fair value less cost to sell is ascertained using publicly published Private Equity multiples for similar transactions in the market. In the current year, estimated EBITDA multiples of between 5.5 and 10 times were used for this assessment.

ii. The Company considers whether intercompany debtors are impaired by assessing whether a sale event would generate sufficient funds flows to repay the intercompany debtors in full. At the year end, management have assessed that for the Company's intercompany debtors to be recoverable an EBITDA multiple of at least 8x would need to be achieved.

The carrying value of goodwill at the year-end was £135 million (2022: £125 million) and the amortisation charge for the year was £18 million (2022: £15 million).

**Key sources of estimation uncertainty****i. Valuation of contingent consideration**

The value of investments in newly acquired subsidiaries include contingent consideration, which are estimated by management based on forecast trading of the acquired company. At the year end the estimated future contingent consideration payable is £42.1million (2022: £26million).

ii. Revenue recognition of contracts may involve services over multiple years, involving more than one product and in such instances, judgement is required to identify the date of transaction for the separable elements of the contract and the fair value of each of these.

**5. TURNOVER**

The turnover and loss before taxation are attributable to the one principal activity of the group.

An analysis of turnover by class of business is given below:

	2023	2022
	£	£
Rendering of services	115,399,872	89,349,231
Sales of goods	9,164,670	8,386,032
Commissions received	463,516	375,228
	<u>125,028,058</u>	<u>98,110,491</u>

**SOUTHERN COMMUNICATIONS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023****5. TURNOVER - continued**

An analysis of turnover by geographical market is given below:

	2023 £	2022 £
United Kingdom	123,140,283	98,110,491
South Africa	<u>1,887,775</u>	<u>-</u>
	<u><b>125,028,058</b></u>	<u><b>98,110,491</b></u>

**6. EMPLOYEES AND DIRECTORS**

	2023 £	2022 £
Wages and salaries	23,617,650	17,267,169
Social security costs	2,609,417	1,828,405
Other pension costs	<u>697,057</u>	<u>369,901</u>
	<u><b>26,924,124</b></u>	<u><b>19,465,475</b></u>
Capitalised payroll costs	<u><b>(2,350,114)</b></u>	<u><b>(905,569)</b></u>
	<u><b>24,574,010</b></u>	<u><b>18,559,906</b></u>

The average number of employees during the year was as follows:

	2023	2022
General	97	69
Customer services	181	127
Senior management team	35	18
Engineering and maintenance	94	83
Hosted development team	36	15
IT team	14	9
Network team	21	10
Sales team	123	85
Directors	<u>6</u>	<u>6</u>
	<u><b>607</b></u>	<u><b>422</b></u>

The average number of persons employed by the Company (including directors) during the year was 6 (2022: 6).

During the year, the Company and its subsidiaries made share-based payments of £760,538 (2022: £Nil).

Redundancy payments made or committed during the year was £572,151 (2022: £Nil).

**SOUTHERN COMMUNICATIONS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023****7. DIRECTORS' REMUNERATION**

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

	<b>2023</b>	2022
	<b>£</b>	£
Remuneration	<b>783,908</b>	725,617
Amounts paid to third parties	<b>40,000</b>	40,000
	<b><u>823,908</u></b>	<u>765,617</u>

Highest paid director:

	<b>2023</b>	2022
	<b>£</b>	£
Remuneration	<b><u>167,128</u></b>	<u>170,724</u>

0 directors (2022: 0) were members of defined contribution schemes.

**Key management compensation**

The compensation paid or payable to key management for employee services is £1,267,422 (2022: £897,345).

**SOUTHERN COMMUNICATIONS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023****8. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	2023 £	2022 £
Operating leases	617,230	781,337
Depreciation	3,868,808	2,182,412
Amortisation	25,930,979	20,993,390
Loss/(Profit) on disposal of fixed and intangible assets	(17,060)	101,594
Foreign exchange differences	<u>18,550</u>	<u>9,560</u>

EBITDA has been calculated for the Group as follows:

	2023 £	2022 £
Loss for the year	(21,172,948)	(20,009,158)
Add back:		
Tax on loss	1,076,233	3,936,974
Interest receivable and similar income	(35,989)	(584,982)
Interest payable and similar expense	25,258,566	17,324,878
Amortisation of intangible assets	25,930,979	20,993,390
Depreciation of tangible assets	3,868,808	2,182,412
Exceptional items*	-	925,000
<b>Earnings before interest, taxation, depreciation, amortisation and exceptional items</b>	<u><b>34,925,649</b></u>	<u><b>24,768,514</b></u>

\*Exceptional items relate to one off fees, to enable the sale of the Group.

**9. AUDITORS' REMUNERATION**

	2023 £	2022 £
Audit of the financial statements	64,375	50,902
Audit of subsidiary financial statements	263,586	238,637
Taxation compliance services	145,550	147,050
Taxation advisory services	59,000	30,000
Preparation of financial statements	-	35,000
	<u><b>532,511</b></u>	<u><b>501,589</b></u>

**SOUTHERN COMMUNICATIONS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023****10. EXCEPTIONAL ITEMS**

	<b>2023</b>	2022
	£	£
Exceptional items	<u>-</u>	<u>(925,000)</u>

Exceptional items relate to one off fees to enable the sale of the Group.

**11. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2023</b>	2022
	£	£
Deposit account interest	<b>34,456</b>	87,555
Gain on redemption shares	-	497,427
Other interest	<u>1,533</u>	-
	<u><b>35,989</b></u>	<u>584,982</u>

**12. INTEREST PAYABLE AND SIMILAR EXPENSES**

	<b>2023</b>	2022
	£	£
Interest on bank overdraft	<b>1,873</b>	461
Interest on other loans	<b>21,855,566</b>	17,324,417
Interest on unwinding discounted cashflow for contingent consideration	<u><b>3,401,127</b></u>	-
	<u><b>25,258,566</b></u>	<u>17,324,878</u>

**13. TAXATION****Analysis of the tax charge**

The tax charge on the loss for the year was as follows:

	<b>2023</b>	2022
	£	£
<b>Current tax:</b>		
UK corporation tax	<b>2,493,365</b>	2,338,815
Adjustments in respect of prior periods (taxation)	<u><b>(1,836,332)</b></u>	<u>284,828</u>
Total current tax	<u><b>657,033</b></u>	<u>2,623,643</u>
<b>Deferred tax:</b>		
Arising from origination and reversal of timing differences	<b>(428,296)</b>	434,106
Arising from rate change	<b>(152,291)</b>	1,037,042
Adjustments in respect of prior periods (deferred tax)	<u><b>999,787</b></u>	<u>(157,817)</u>
Total deferred tax	<u><b>419,200</b></u>	<u>1,313,331</u>
Tax on loss	<u><b>1,076,233</b></u>	<u>3,936,974</u>

The tax on loss before tax for the period is higher than (2022: higher than) the standard rate of UK corporation tax of 19% (2022 – 19%).

**SOUTHERN COMMUNICATIONS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued  
FOR THE YEAR ENDED 31 MARCH 2023****13. TAXATION – continued****Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2023 £	2022 £
Loss before tax	<u>(20,096,715)</u>	<u>(16,072,184)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2022 – 19%)	<u>(3,818,376)</u>	<u>(3,053,715)</u>
Effects of:		
Expenses not deductible for tax purposes	(10,665)	175,229
Adjustments to tax charge in respect of previous periods	(836,545)	127,011
Disallowance amortisation	4,872,292	3,768,748
Deferred tax rate change	(152,291)	1,037,042
Disallowance interest	2,006,833	1,909,019
Research and development tax credit	(314,874)	(26,360)
Unprovided deferred tax	154,437	-
PPE super deduction	(328,682)	-
Group relief surrender	(13,683)	-
Other adjustments	<u>651,787</u>	<u>-</u>
Total tax charge	<u><u>1,076,233</u></u>	<u><u>3,936,974</u></u>

As of 1 April 2023, the UK Government has increased the main rate of corporation tax from 19% to 25% on profits in excess of £250,000. A small profits rate of 19% will apply to profits of £50,000 or less. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective corporation tax rate. As these changes were enacted before the year end, deferred tax has been provided for at 25%.

**14. INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME**

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

**SOUTHERN COMMUNICATIONS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023****15. INTANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Goodwill</b>	<b>Unregistered intellectual Prop</b>	<b>Customer lists</b>	<b>Computer software</b>	<b>Totals</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>COST</b>					
At 1 April 2022	184,190,518	1,102,347	52,274,452	4,221,325	241,788,642
Additions		-	-	3,757,166	3,757,166
Business combination	28,100,155	-	-	80,521	28,180,676
Reclassification/transfer	-	-	-	2,371,674	2,371,674
At 31 March 2023	<u>212,290,673</u>	<u>1,102,347</u>	<u>52,274,452</u>	<u>10,430,686</u>	<u>276,098,158</u>
<b>AMORTISATION</b>					
At 1 April 2022	59,167,100	724,310	28,429,874	1,862,541	90,183,825
Amortisation for year	<u>18,494,745</u>	<u>105,000</u>	<u>5,227,445</u>	<u>2,103,789</u>	<u>25,930,979</u>
At 31 March 2023	<u>77,661,845</u>	<u>829,310</u>	<u>33,657,319</u>	<u>3,966,330</u>	<u>116,114,804</u>
<b>NET BOOK VALUE</b>					
At 31 March 2023	<u>134,628,828</u>	<u>273,037</u>	<u>18,617,133</u>	<u>6,464,356</u>	<u>159,983,354</u>
At 31 March 2022	<u>125,023,418</u>	<u>378,037</u>	<u>23,844,578</u>	<u>2,358,784</u>	<u>151,604,817</u>

Rising interest rates and wider economic uncertainty are indicators of impairment that are present and accordingly an impairment review was completed of goodwill. Recoverable amount was determined using fair value less cost to sell. Fair value was calculated by taking multiples of EBITDA currently being used in the industry. Costs to sell were assessed to range from 1-3% depending on the size of the assets being fair valued. Fair value of goodwill less cost to sell was higher than the carrying amount so there is no impairment in the period.

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

There are no individually material intangible fixed assets.

The reclassification/transfer of assets relates to assets within the Group which were classified as Tangible in the prior year, but should sit within Intangible fixed assets.

**Company**

No intangible fixed assets are held by the parent company.

**SOUTHERN COMMUNICATIONS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023****16. TANGIBLE FIXED ASSETS****Group**

	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Computer and office equipment £	Totals £
<b>COST</b>					
At 1 April 2022	885,233	2,806,671	168,920	8,190,663	12,051,487
Additions	111,269	3,425,374	59,710	4,983,508	8,579,861
Disposals	(1,000)	-	(163,481)	(41,864)	(206,345)
Business Combination	1,964	86,017	72,006	279,347	439,334
Reclassification/transfer	(31,145)	(1,230,712)	57,969	(1,167,786)	(2,371,674)
At 31 March 2023	<u>966,321</u>	<u>5,087,350</u>	<u>195,124</u>	<u>12,243,868</u>	<u>18,492,663</u>
<b>DEPRECIATION</b>					
At 1 April 2022	303,538	447,699	59,049	4,355,394	5,165,680
Charge for year	152,537	1,124,900	74,821	2,516,551	3,868,809
Eliminated on disposal	(1,000)	-	(153,571)	(38,229)	(192,800)
Impairments	-	1,730	-	-	1,730
At 31 March 2023	<u>455,075</u>	<u>1,574,329</u>	<u>(19,701)</u>	<u>6,833,716</u>	<u>8,843,419</u>
<b>NET BOOK VALUE</b>					
At 31 March 2023	<u>511,246</u>	<u>3,513,021</u>	<u>214,825</u>	<u>5,410,152</u>	<u>9,649,244</u>
At 31 March 2022	<u>581,695</u>	<u>2,358,972</u>	<u>109,871</u>	<u>3,835,269</u>	<u>6,885,807</u>

The reclassification/transfer of assets relates to assets within the Group which were classified as Tangible in the prior year but should sit within Intangible fixed assets.

**Assets held under finance leases and hire purchase contracts.**

The net carrying amount of tangible assets includes £70,474 (2022: £80,559) in respect of Motor Vehicles held under finance leases and hire purchase contracts. Included within the depreciation charge for the year is an amount of £31,627 relating to assets held under finance leases and hire purchase contracts.

**Company**

	Computer and office equipment £
<b>COST</b>	
Additions	<u>310,725</u>
At 31 March 2023	<u>310,725</u>
<b>NET BOOK VALUE</b>	
At 31 March 2023	<u>310,725</u>



**SOUTHERN COMMUNICATIONS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023****17. FIXED ASSET INVESTMENTS**

<b>Company</b>	<b>Shares in group undertakings £</b>
<b>COSI</b>	
At 1 April 2022	<b>36,066</b>
Additions	<b><u>981</u></b>
At 31 March 2023	<b><u>37,047</u></b>
<b>NET BOOK VALUE</b>	
At 31 March 2023	<b><u>37,047</u></b>
At 31 March 2022	<b><u>36,066</u></b>

The additions in the year relate to the purchase of Ordinary C shares in Saint Topco Limited by the EBT.

**SOUTHERN COMMUNICATIONS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023****17. FIXED ASSET INVESTMENTS - continued**

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

	<b>Country of incorporation</b>	<b>Holding</b>	<b>Proportion of voting rights and shares held</b>
<b>Direct subsidiary</b>			
Southern Communications Investments Limited	England and Wales	Ordinary	100%
Southern Communications EBT Newco Limited	England and Wales	Ordinary	100%
<b>Indirect subsidiaries</b>			
Southern Communications Holdings 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	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	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 AI 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 Limited	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%
Du Pre Limited	England and Wales	Ordinary	100%
Class Telecommunications Limited	England and Wales	Ordinary	100%
Class Affinity Projects Limited	England and Wales	Ordinary	100%
I.C.S 1989 Limited	England and Wales	Ordinary	100%
TIC (The Independent Choice) Limited	England and Wales	Ordinary	100%

**SOUTHERN COMMUNICATIONS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023****17. FIXED ASSET INVESTMENTS - continued**

Horizon Telecom Limited	England and Wales	Ordinary	100%
Hello Telecom (UK) Limited	England and Wales	Ordinary	100%
JMCP Holdings Limited	England and Wales	Ordinary	100%
X-On Health Limited	England and Wales	Ordinary	100%
Eurolink Connect Limited	England and Wales	Ordinary	100%
Fuse 2 Communications Limited	England and Wales	Ordinary	100%
NSN Pty	South Africa	Ordinary	100%
Channel Comms Limited	England and Wales	Ordinary	100%
Channel IP Limited	England and Wales	Ordinary	100%
Channel Communication Services Limited	England and Wales	Ordinary	100%
9 Dots Consultants Limited	Scotland	Ordinary	100%

**18. STOCKS**

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Finished goods	<b><u>1,922,587</u></b>	<b><u>974,067</u></b>

There is no significant difference between the replacement cost of finished goods and their carrying amounts. Stocks are stated after provisions for impairment of £nil (2022: £nil).

**19. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade debtors	<b>7,324,260</b>	7,297,170	-	-
Amounts owed by group undertakings	<b>1,487,375</b>	1,294,596	<b>38,042,819</b>	37,235,237
Derivative financial asset	<b>3,591,013</b>	-	-	-
Other debtors	<b>306,570</b>	1,688,525	-	-
Prepayments and accrued income	<b><u>12,742,508</u></b>	<u>6,104,374</u>	<b><u>23,170</u></b>	<u>85,133</u>
	<b><u>25,451,726</u></b>	<u>16,384,665</u>	<b><u>38,065,989</u></b>	<u>37,320,370</u>

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

Group trade debtors are stated after bad debt provision of £217,139 (2022: £257,893).

The Derivative financial asset relates to an interest rate cap disclosed in Note 28.

**SOUTHERN COMMUNICATIONS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023****20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Finance leases (see note 23)	<b>405,708</b>	139,333	-	-
Trade creditors	<b>9,713,575</b>	7,333,970	<b>174,189</b>	-
Amounts owed to group undertakings	-	-	<b>14,135,183</b>	8,227,291
Corporation tax due	<b>1,599,419</b>	1,935,701	-	-
Social security and other taxes	<b>3,912,256</b>	3,293,679	-	3,017
Other creditors	<b>1,541,627</b>	-	<b>224,447</b>	-
Contingent consideration	<b>30,158,825</b>	16,030,100	-	-
Accruals and deferred income	<b>9,070,973</b>	5,699,007	<b>114,375</b>	78,086
	<b><u>56,402,383</u></b>	<b><u>34,431,850</u></b>	<b><u>14,648,194</u></b>	<b><u>8,308,394</u></b>

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

**21. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Other loans (see note 22)	<b>222,234,755</b>	205,538,918	<b>40,537,603</b>	35,931,959
Finance leases (see note 23)	<b>189,729</b>	98,276	-	-
Contingent consideration	<b>11,958,007</b>	10,121,760	-	-
	<b><u>234,382,491</u></b>	<b><u>215,758,954</u></b>	<b><u>40,537,603</u></b>	<b><u>35,931,959</u></b>

**SOUTHERN COMMUNICATIONS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023****22. LOANS**

An analysis of the maturity of loans is given below:

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Loans due 2-5 years	<u><b>222,234,755</b></u>	<u><b>205,538,918</b></u>	<u><b>40,537,603</b></u>	<u><b>35,931,959</b></u>

The table below shows the breakdown of the movement of the loan facilities during the year:

	<b>Facility A £</b>	<b>Facility B £</b>	<b>Acquisition Facility £</b>	<b>PIK Facilities £</b>	<b>Total £</b>
Brought forward	23,407,984	70,707,793	75,676,391	35,746,750	205,538,918
Debt drawn	5,700,000	-	2,500,000	-	8,200,000
Interest charged	1,493,382	6,943,230	8,379,423	4,790,853	21,606,888
Interest paid	<u>(1,393,932)</u>	<u>(5,428,540)</u>	<u>(6,288,579)</u>	<u>-</u>	<u>(13,111,051)</u>
As at 31 March 2023	<u><b>29,207,434</b></u>	<u><b>72,222,483</b></u>	<u><b>80,267,235</b></u>	<u><b>40,537,603</b></u>	<u><b>222,234,755</b></u>

Facility A £24,100,000 issued 22 August 2018 with an additional £5,700,000 issued March 2023 repayable by balloon repayment on 22 February 2026 by Southern Communications Holdings Limited. The loan bears interest, payable bi-annually of 2.75% plus SONIA. The loan is held at amortised cost and net of £1,155,143 transaction costs.

Facility B £67,400,000 issued 22 August 2018 repayable by balloon repayment on 22 August 2026 by Southern Communications Holdings Limited. The loan bears interest, of 7% plus SONIA, 5% is payable bi-annually and the remainder cumulatively accrues quarterly. The loan is held at amortised cost and net of £3,230,480 transaction costs.

Acquisition facility and additional acquisition facility of £118,700,000 are available to support the acquisition strategy are repayable by balloon repayment on 22 August 2026 by Southern Communications Holdings Limited. Amounts of £2,500,000 were drawn down in the year to 31 March 2023, the total draw down to 31 March 2023 was £77,232,000. Each tranche bears interest of 7% plus SONIA, 5% is repayable bi-annually and the remainder cumulatively accrues at 2% quarterly. The loan is held at amortised cost and net of £3,290,659 transaction costs.

PIK facility £18,200,000 issued 22 August 2018 repayable by balloon repayment on 22 February 2029 by Southern Communications Group Limited. The loan bears cumulative interest, which is accrued quarterly of 12%. The loan is held at amortised cost and net of £872,325 transaction costs.

PIK facility £6,000,000 issued 22 August 2018 repayable by balloon repayment on 22 February 2029 by Southern Communications Group Limited. The loan bears cumulative interest, which is accrued quarterly of 12% per annum. The loan is held at amortised cost and net of £287,580 transaction costs.

Financial covenants set by lenders on the senior and super senior loan facilities are; cashflow cover, super senior net leverage and senior net leverage. These were met during the period and continue to be met.

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

**SOUTHERN COMMUNICATIONS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023****23. LEASING AGREEMENTS**

Minimum lease payments fall due as follows:

**Group**

	<b>Finance leases</b>	
	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Net obligations repayable:		
Within one year	<b>405,708</b>	139,333
Between one and five years	<b>189,729</b>	98,276
	<b><u>595,437</u></b>	<b><u>237,609</u></b>

**Group**

	<b>Non-cancellable operating leases</b>	
	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Within one year	<b>1,160,874</b>	1,105,127
Between one and five years	<b>1,602,709</b>	1,740,249
In more than five years	<b>297,500</b>	447,667
	<b><u>3,061,083</u></b>	<b><u>3,293,043</u></b>

The Company has no operating lease commitments.

**24. PROVISIONS FOR LIABILITIES**

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Deferred tax	<b><u>6,726,851</u></b>	<b><u>6,307,651</u></b>
<b>Group</b>		
		<b>Deferred tax</b>
		<b>£</b>
Balance at 1 April 2022		<b><u>6,307,651</u></b>
Charge to the profit and loss account		419,200
Balance at 31 March 2023		<b><u>6,726,851</u></b>
Analysis of deferred tax		
	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Capital allowances	<b>2,128,837</b>	153,886
Deferred tax provision on valuation of intangible fixed assets	<b>4,863,672</b>	6,171,036
Losses carried forward	<b>(187,933)</b>	(12,536)
Other temporary timing differences	<b>(77,725)</b>	(4,735)
	<b><u>6,726,851</u></b>	<b><u>6,307,651</u></b>

**SOUTHERN COMMUNICATIONS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023****25. CALLED UP SHARE CAPITAL**

Allotted, called up and fully paid shares

	2023		2022	
	No.	£	No.	£
Ordinary A shares of £0.001	325,000	325	325,000	325
Ordinary B shares of £0.001	230,633	230	230,633	230
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>

**Share rights, preferences and restrictions**

Ordinary shares have the following rights, preferences and restrictions:

No shareholder of the Ordinary A shares, Ordinary B shares, Ordinary C1 shares, Ordinary C2 shares, Ordinary D shares, Ordinary E shares, Ordinary F shares, Ordinary G1 shares and Ordinary G2 shares has the entitlement to no vote unless directors decide otherwise.

Dividend payments are at the discretion of the parent company, Saint Bidco Limited.

Each class of share ranks Pari passu.

**SOUTHERN COMMUNICATIONS GROUP LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023**

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**26. RESERVES**

**Share premium**

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

**Profit and loss account**

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

**Capital contribution reserve**

The capital contribution reserve contains the accumulated share based payment charge for shares issued by the ultimate parent company to employees of the Group.

**27. 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 £697,057 (2022: £337,169). Contributions totalling £111,194 (2022: £139,363) were payable to the fund at the balance sheet date.

**28. FINANCIAL INSTRUMENTS**

On 3<sup>rd</sup> August 2022 the Group took out an interest rate cap for £110,000,000 effective from 31 March 2022 and terminating on 30 September 2024.

The fixed rate payer is Southern Communications Holdings Limited and the fixed amount paid on 3<sup>rd</sup> August 2022 to take out the hedge was £1,583,288.

The floating rate payer is Santander UK PLC and payment dates are 30 September 2022 then biannual on 31 March and 30 September each year.

The floating rate option attached to the agreement is GBP SONIA and the cap rate is 2.5%.

*The fair value of the future benefit of the derivative of the interest rate cap at 31 March 2023 has been calculated to be £3,591,013, and the Group have recognised an asset held at fair value through the profit or loss of £3,591,013 in the period.*



**SOUTHERN COMMUNICATIONS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023****29. CONTINGENT LIABILITIES**

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

<b>Direct subsidiaries</b>	<b>Registered Number</b>
Southern Communications Investments Limited	10053141
<b>Indirect subsidiaries</b>	
Southern Communications Holdings Limited	08413599
Southern Business Technologies Limited	04323164
Efar Limited	03949538
Southern Communications Corporate Solutions Limited	02645307
Southern Communications Data Services Limited	03265174
Et Al Innovations Limited	03718039
Dataphone Communications Limited	02346987
New Star Networks Limited	07143368
Commsplus Limited	02239626
DataKom Limited	06367634
Class Telecommunications Limited	04236743
Class Affinity Projects Limited	03956388
Pinnacle Telecom Wales Limited	03296134
Du Pre Limited	01520800
I.C.S 1989 Limited	02393007
TIC (The Independent Choice) Limited	04470264
Horizon Telecom Limited	03638405
Hello Telecom (UK) Limited	04489059
JMCP Holdings Limited	11232498
X-On Health Limited	02578478
Eurolink Connect Limited	03707357
Fuse 2 Communications Limited	09556526
Channel Comms Limited	03899940
Channel IP Limited	06614413
Channel Communication Services Limited	03882033
9 Dots Consultants Limited	SC647632

5 (2022 - 5) of the above entities have net liabilities at the year-end totalling £93,020,826 (2022: £67,623,277). All of the above entities have taken the audit exemption under S479A of 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 arrangement to secure the loans of the Group. At the year end the total outstanding facilities were £222,234,755 (2022: £205,637,196).

**SOUTHERN COMMUNICATIONS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023****30. RELATED PARTY DISCLOSURES****Investor shareholder loan notes and other transactions**

During the year, fees and disbursements totalling £nil (2022: £79,416) were paid to investor shareholders. The amount outstanding at the year end was £nil (2022: £nil).

During the year, fees and disbursements totalling £40,000 (2022: £40,000) were paid to Director shareholders. The amount outstanding at year end was £nil (2022: £nil).

During the year, interest totalling £20,113,506 (2022: £17,324,417) was charged to the Group from Ares Management Limited. Interest and charges paid to Ares Management Limited during the year totalled £11,717,119 (£8,371,034). Ares Management Limited loaned Southern Communications Holdings Limited £2,500,000 (£14,000,000) during the year. The total outstanding at the year end was £193,027,321 (2022: £182,316,142).

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

**31. POST BALANCE SHEET EVENTS**

Since the balance sheet date, the Group acquired the entire issued share capital of three companies:

Company Acquired	<b>EBT Maintenance Limited</b>	<b>MPS Networks Limited</b>	<b>Glemstone Telecommunications Limited</b>
Date Acquired	07/06/2023	11/07/2023	20/07/2023
Initial consideration paid	1,420,188	7,485,447	3,946,054
Estimated fair value of net assets	<u>582,370</u>	<u>1,203,184</u>	<u>529,089</u>
Estimated Goodwill arising on acquisition	<u>837,818</u>	<u>6,282,263</u>	<u>3,416,965</u>

On 24th May 2023, Storacall Technology Limited changed its name to X-On Health Limited.

On 27th July 2023 an additional facility was agreed with our lenders for £50.0 million, this facility is to run on the same basis and timeframes as the other Group debt. At the balance sheet date, no funds had been drawn down from this additional facility.

On 16th October 2023, 2 Circles Communications Limited changed its name to SCG Cloud Limited.

**32. ULTIMATE CONTROLLING PARTY**

The immediate parent of the Company is Saint Bidco Limited. The ultimate parent of the Company is Saint Topco Limited. The consolidated financial statements of Saint Topco Limited are available from Glebe Farm Down Street, Dummer, Basingstoke, Hampshire RG25 2AD.

The directors believe there to be no ultimate controlling party.

**SOUTHERN COMMUNICATIONS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023****33. BUSINESS COMBINATIONS****Acquisition of Eurolink Connect Limited**

On 14 April 2022, Southern Communications Holdings Limited acquired Eurolink Connect Limited through the purchase of 100% of the share capital for a total consideration of £3,908,025.

Eurolink Connect Limited contributed revenue of £2,469,749 and £427,889 profit before tax 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 identified.

The goodwill arising on acquisition is attributable to customer base. Useful life is estimated to be 10 years.

<b>Assets and liabilities acquired</b>	<b>Fair value £</b>
Property, plant & equipment	15,229
Current assets	1,110,498
Current liabilities	<u>(201,632)</u>
Total identifiable net assets	<u>924,095</u>
 Goodwill	 <u>2,983,930</u>
Total purchase consideration	<u>3,908,025</u>
 <b>Satisfied by:</b>	 £
Cash	2,732,871
Contingent consideration	1,074,157
Directly attributable costs	<u>100,997</u>
Total consideration	<u>3,908,025</u>
 <b>Net cash outflow arising on acquisition:</b>	 £
Cash consideration	2,732,871
Direct costs	100,997
Cash acquired	<u>(765,171)</u>
	<u>2,068,697</u>

**Contingent Consideration**

The purchase agreement included contingent consideration of up to £1.1m payable based on the increase in profits in the 6 months following completion. The contingent consideration was re-calculated six months following the acquisition and paid shortly thereafter. As at 31 March 2023, the contingent consideration was paid in full and there was no further contingent consideration liability to recognise in the consolidated and separate accounts.

**SOUTHERN COMMUNICATIONS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023****33. BUSINESS COMBINATIONS - continued****Acquisition of Fuse 2 Communications Limited**

On 9 June 2022, Southern Communications Holdings Limited acquired Fuse 2 Communications Limited through the purchase of 100% of the share capital for a total consideration of £3,837,417.

Fuse 2 Communications Limited contributed revenue of £1,981,637 and £262,908 profit before tax 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 identified.

The goodwill arising on acquisition is attributable to customer base. Useful life is estimated to be 10 years.

<b>Assets and liabilities acquired</b>	<b>Fair value</b>
	<b>£</b>
Intangible assets	79,053
Property, plant & equipment	132,500
Current assets	215,295
Current liabilities	(159,781)
Non-current liabilities	(56,113)
<b>Total identifiable net assets</b>	<b>210,954</b>
 Goodwill	 3,626,463
<b>Total purchase consideration</b>	<b>3,837,417</b>
 <b>Satisfied by:</b>	
	<b>£</b>
Cash	3,446,723
Contingent consideration	315,742
Directly attributable costs	74,952
<b>Total consideration</b>	<b>3,837,417</b>
 <b>Net cash outflow arising on acquisition:</b>	
	<b>£</b>
Cash consideration	3,446,723
Direct costs	74,952
Cash acquired	(97,310)
	<b>3,424,365</b>

**Contingent Consideration**

The purchase agreement included contingent consideration of up to £2.2m payable based on the increase in profits in each of the three years following completion. The contingent consideration will be paid on the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> anniversary of the acquisition. The recognised contingent consideration liability of £315.7k (in the consolidated and separate accounts) represents the Group's best estimate of the amount that will be paid. Future changes in the estimate will be accounted for in accordance with the accounting policy in note 3.

**SOUTHERN COMMUNICATIONS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023****33. BUSINESS COMBINATIONS - continued****Acquisition of NSN pty**

On 27 June 2022, Southern Communications Holdings Limited acquired NSN pty through the purchase of 100% of the share capital for a total consideration of £1,555,057.

NSN pty contributed revenue of £2,479,629 and £96,064 profit before tax 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 identified.

The goodwill arising on acquisition is attributable to customer base. Useful life is estimated to be 10 years.

<b>Assets and liabilities acquired</b>	<b>Fair value</b>
	<b>£</b>
Property, plant & equipment	268,282
Current assets	87,490
Current liabilities	(143,334)
Non-current liabilities	<u>(152,925)</u>
Total identifiable net assets	<u>59,513</u>
Goodwill	<u>1,495,544</u>
Total purchase consideration	<u>1,555,057</u>
<b>Satisfied by:</b>	<b>£</b>
Cash	1,500,000
Directly attributable costs	<u>55,057</u>
Total consideration	<u>1,555,057</u>
<b>Net cash outflow arising on acquisition:</b>	<b>£</b>
Cash consideration	1,500,000
Direct costs	<u>55,057</u>
	<u><b>1,555,057</b></u>

**SOUTHERN COMMUNICATIONS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023****33. BUSINESS COMBINATIONS - continued****Acquisition of Channel Comms Limited**

On 15 November 2022, Southern Communications Holdings Limited acquired Channel Comms Limited through the purchase of 100% of the share capital for a total consideration of £3,489,349.

Channel Comms Limited contributed revenue of £955,401 and £115,882 profit before tax 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 identified.

The goodwill arising on acquisition is attributable to customer base. Useful life is estimated to be 10 years.

<b>Assets and liabilities acquired</b>	<b>Fair value</b>
	<b>£</b>
Property, plant & equipment	10,067
Current assets	780,933
Current liabilities	(396,464)
Non-current liabilities	(365)
Total identifiable net assets	<u>394,171</u>
Goodwill	<u>3,095,178</u>
Total purchase consideration	<u>3,489,349</u>
<b>Satisfied by:</b>	<b>£</b>
Cash	2,745,038
Contingent consideration	644,000
Directly attributable costs	<u>100,311</u>
Total consideration	<u>3,489,349</u>
<b>Net cash outflow arising on acquisition:</b>	<b>£</b>
Cash consideration	2,745,038
Direct costs	100,311
Cash acquired	<u>(445,059)</u>
	<u>2,400,290</u>

**Contingent Consideration**

The purchase agreement included contingent consideration of up to £949.7k payable based on the increase in profits in the six months following completion. The contingent consideration will be paid six months following the acquisition. The recognised contingent consideration liability of £949.7k (in the consolidated and separate accounts) represents the Group's best estimate of the amount that will be paid. Future changes in the estimate will be accounted for in accordance with the accounting policy in note 3.

**SOUTHERN COMMUNICATIONS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023****33. BUSINESS COMBINATIONS - continued****Acquisition of 9 Dots Consultants Limited**

On 16 November 2022, Southern Communications Holdings Limited acquired 9 Dots Consultants Limited through the purchase of 100% of the share capital for a total consideration of £4,560,439.

9 Dots Consultants Limited contributed revenue of £216,945 and £5,916 profit before tax 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 identified.

The goodwill arising on acquisition is attributable to customer base. Useful life is estimated to be 10 years.

<b>Assets and liabilities acquired</b>	<b>Fair value</b>
	£
Property, plant & equipment	20,929
Current assets	138,710
Current liabilities	(51,416)
Non-current liabilities	<u>(751,322)</u>
Total identifiable net assets	<u>(643,099)</u>
Goodwill	<u>5,203,538</u>
Total purchase consideration	<u>4,560,439</u>
<b>Satisfied by:</b>	
	£
Cash	2,809,417
Contingent consideration	1,671,007
Directly attributable costs	<u>80,015</u>
Total consideration	<u>4,560,439</u>
<b>Net cash outflow arising on acquisition:</b>	
	£
Cash consideration	2,809,417
Direct costs	80,015
Cash acquired	<u>(70,429)</u>
	<u>2,819,003</u>

**Contingent Consideration**

The purchase agreement included contingent consideration of up to £1.7m payable based on the increase in profits in the two years following completion. The contingent consideration will be paid on the second anniversary of the acquisition. The recognised contingent consideration liability of £1.7million (in the consolidated and separate accounts) represents the Group's best estimate of the amount that will be paid. Future changes in the estimate will be accounted for in accordance with the accounting policy in note 3.

**SOUTHERN COMMUNICATIONS GROUP LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023**

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**33. BUSINESS COMBINATIONS - continued**

**Goodwill**

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable, contractual and separable 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 CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023****34. SUBSIDIARY COMPANIES**

	<b>Principal activity</b>	<b>Registered office</b>	<b>Principal place of business</b>
<b>Direct subsidiaries</b>			
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
<b>Indirect subsidiaries</b>			
Southern Communications Holdings 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	Glebe Farm, Dummer
Ascent Global Services Limited	Dormant	Glebe Farm, Dummer	Foundation House, Reigate
Hullabaloo Communications Limited	Dormant	Glebe Farm, Dummer	Glebe Farm, Dummer
Atech Network Services Limited	Dormant	Glebe Farm, Dummer	Foundation House, Reigate
Southern Communications Corporate Solutions Limited	Telecommunications	Glebe Farm, Dummer	Foundation House, Reigate
Converse Telecom Limited	Dormant	Glebe Farm, Dummer	Glebe Farm, Dummer
Integrated Business Systems Limited	Dormant	Glebe Farm, Dummer	Foundation House, Reigate
Southern Communications Data Services Limited	Telecommunications	Glebe Farm, Dummer	Glebe Farm, Dummer
DCS Voice and Vision Limited	Dormant	Glebe Farm, Dummer	Glebe Farm, Dummer
Verranti Limited	Dormant	Glebe Farm, Dummer	Glebe Farm, Dummer
Alliance Communications Solutions Limited	Dormant	Glebe Farm, Dummer	Glebe Farm, Dummer
Switch IP Limited	Dormant	Glebe Farm, Dummer	Foundation House, Reigate
Southern Data Limited	Dormant	Glebe Farm, Dummer	Glebe Farm, Dummer
Pinnacle Managed Services Limited	Dormant	Glebe Farm, Dummer	4 Old Field Road, Bridgend
Extrasource Limited	Dormant	Glebe Farm, Dummer	Glebe Farm, Dummer
Pinnacle Telecom (Wales) Limited	Telecommunications	Glebe Farm, Dummer	4 Old Field Road, Bridgend
3 Circles Communications Limited	Holding company	Ver House, 23-25 High Street, St Albans	Ver House, 23-25 High Street, St Albans

**SOUTHERN COMMUNICATIONS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023**


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2 Circles Communications Limited	Telecommunications	Ver House, 23-25 High Street, St Albans Glebe Farm, Dummer	Ver House, 23-25 High Street, St Albans Glebe Farm, Dummer
Et Al Innovations Limited	Telecommunications	Glebe Farm, Dummer	Glebe Farm, Dummer
Dataphone Communications Limited	Telecommunications	Glebe Farm, Dummer	Glebe Farm, Dummer
Dataphone Services Limited	Telecommunications	Glebe Farm, Dummer	Glebe Farm, Dummer
New Star Networks Limited	Telecommunications	Glebe Farm, Dummer	Glebe Farm, Dummer
DataKom Limited	Telecommunications	Glebe Farm, Dummer	4 Old Field Road, Bridgend
Commsplus Limited	Telecommunications	Glebe Farm, Dummer	4 Old Field Road, Bridgend
Maxwell Grant Limited	Dormant	Ver House, 23-25 High Street, St Albans Pavilion 5 Macmerry	Ver House, 23-25 High Street, St Albans
9Dots Holdings Limited	Dormant	Satellite Park, East Lothian Pavilion 5 Macmerry	Ver House, 23-25 High Street, St Albans
9Dots Consulting Limited	Dormant	Satellite Park, East Lothian	Ver House, 23-25 High Street, St Albans
Privilege Consulting Limited	Dormant	Ver House, 23-25 High Street, St Albans Norsea House, Crawpeel Road, Aberdeen, Scotland	Ver House, 23-25 High Street, St Albans
Inveniam Communication Solutions Limited	Dormant	Glebe Farm, Dummer	Glebe Farm, Dummer
Du Pre Limited	Telecommunications	Glebe Farm, Dummer	Foundation House, Reigate
Class Telecommunications Limited	Telecommunications	Glebe Farm, Dummer	Foundation House, Reigate
Class Affinity Projects Limited	Telecommunications	Glebe Farm, Dummer	Glebe Farm, Dummer
I.C.S 1989 Limited	Telecommunications	Glebe Farm, Dummer	Vulcan House, Pendeford Business
TIC (The Independent Choice) Limited	Telecommunications	Glebe Farm, Dummer	21 High Street, Stonehouse
Horizon Telecom Limited	Telecommunications	Glebe Farm, Dummer	Glebe Farm, Dummer
Hello Telecom (UK) Limited	Telecommunications	Glebe Farm, Dummer	1 George Street, Wolverhampton
JMCP Holdings Limited	Dormant	Glebe Farm, Dummer	22 Riduna Park, Melton
X-On Health Limited	Telecommunications	Glebe Farm, Dummer	

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**SOUTHERN COMMUNICATIONS GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MARCH 2023**


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Eurolink Connect Limited	Telecommunications	Glebe Farm,	21 High Street,
Fuse 2 Communications		Dummer	StonehouseBailey
Limited	Telecommunications	Glebe Farm,	House, St Georges
		Dummer	Square, Bolton
		Meyersdal,	
NSN Pty	Telecommunications	Gauteng,	Glenvista, Gauteng,
		South Africa	South Africa
Channel Comms Limited	Telecommunications	Glebe Farm,	87 Macrae Road,
		Dummer	Bristol
Channel IP Limited	Telecommunications	Glebe Farm,	87 Macrae Road,
Channel Communication		Dummer	Bristol
Services Limited	Telecommunications	Glebe Farm,	87 Macrae Road,
		Dummer	Bristol
		Pavilion 5	
		Macmerry	Pavilion 5
9 Dots Consultants Limited	Telecommunications	Satellite Park,	Macmerry Satellite
		East Lothian	Park, East Lothian