

**REPORT OF THE DIRECTORS AND**  
**CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOR THE YEAR ENDED 30 JUNE 2019**  
**FOR**  
**DYNMARK INTERNATIONAL LIMITED**



**DYNMARK INTERNATIONAL LTD**

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**FOR THE YEAR ENDED 30 JUNE 2019**

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**DYNMARK INTERNATIONAL LTD**

**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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**DIRECTORS:**

M Patel  
G Kasparian  
P Amin

**REGISTERED OFFICE:**

No.1 London Bridge  
London  
SE1 9BG

**REGISTERED NUMBER:**

04343332 (England and Wales)

**AUDITORS:**

Jeffreys Henry LLP  
Statutory Auditor  
Finsgate 5-7 Cranwood Street  
London  
EC1V 9EE

## **DYNMARK INTERNATIONAL LTD**

### **STRATEGIC REPORT** **FOR THE YEAR ENDED 30 JUNE 2019**

The directors present their strategic report with the financial statements of the company for the year ended 30 June 2019.

#### **REVIEW OF BUSINESS**

The company provides a messaging platform which enables third parties to send messages to and from mobile apps and web enabled devices. As a consequence of the boards' decision to wind down the business and only put a small team in place to support current clients and partners, revenue in the period decreased by 43% to £8.9m and adjusted EBITDA decreased by 144% from £2.4m to (£1.1m). At the year end the company had cash of £1.2m.

#### **FUTURE OUTLOOK**

During the year, the integration of the Comapi CPaaS technology was successfully integrated into the Engagement Cloud platform of the core dotdigital platform following the acquisition in November 2017 by Dotdigital Group Plc. On the 22 May 2019, the Board announced that following a thorough review of the business, they had decided to wind down this division. As a result of this the business is expected to wind down over the next three years.

#### **KEY PERFORMANCE INDICATORS**

The individual business units are managed and controlled using a variety of key performance indicators appropriate to the goals they have been set. Examples of key performance indicators include:

	2019	2018	Increase/ (decrease)
	£	£	%
Revenue	8,885,674	15,459,987	(43)
Adjusted EBITDA*	(1,073,985)	2,419,308	(144)
Cash	1,190,891	1,068,149	11
Volume sends	<u>478m</u>	<u>723m</u>	<u>(34)</u>

\*Adjusted EBITDA is before exceptional costs which include intercompany loan write off, acquisition costs and re-organisation provision.

#### **KEY RISKS AND UNCERTAINTIES**

##### **Data privacy**

##### **Impact**

Certain laws and regulations such as the General Data Protection Regulation ("GDPR") require or may require the company and its customers to implement privacy and security policies, permit consumers to access, correct or delete personal information stored or maintained by such companies, inform individuals of security incidents that affect their personal information, and, in some cases, obtain consent to use personal information for certain purposes.

Other proposed legislation could impose additional requirements and prohibit the use of certain technologies, such as those that track individuals' activities on web pages or record when individuals click on an in-email link. Such laws and regulations could restrict customers' ability to collect and use email addresses, web browsing data and personal information, which may reduce demand for its products.

##### **Mitigation of risk**

- Operation of an open-door policy, including the sharing of policies relating to security, compliance and data privacy.
- Maintenance of a public-facing Trust Centre communicating important information.
- Research into the impact of new or altered legislation to inform free resources. The company actively contributes to the digital marketing and messaging space to advocate best practice and make sure its customers' needs are represented.
- Provisioning of global instances of the platforms, allowing customers in certain regions to overcome data sovereignty constraints.
- Ongoing monitoring of processes and policies in compliance with GDPR.
- Ongoing monitoring of the regulatory environment, including any guidance from supervisory authorities or compliance actions made under GDPR and developments of the California Consumer Privacy Act & e-Privacy Regulation.

**DYNMARK INTERNATIONAL LTD**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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**Use of public cloud service suppliers**

**Impact**

The company utilises public cloud providers to host its platforms and products. An event resulting in multiple cloud data centre failing, for any significant period, or termination of services by a cloud provider, may negatively impact the company's business, operating results and financial condition.

The nature of cloud computing means that the majority of the platforms are on a shared infrastructure that is more of a target for cyber-attacks.

**Mitigation of risk**

- Informed choice of best-of-breed cloud computing providers (the company has selected Microsoft Azure, Amazon AWS, CloudFlare, and Google Cloud Platform), the architecture of which facilitates high uptime SLAs and a quick recovery in the event of a single region failure.
- Due diligence of cloud computing supplier security and incident handling processes, penetration testing results, change management and security and privacy accreditations.
- Development and implementation of resilient global instances of the platform to serve local customers and avoid global customer impact in the event of a regional outage.
- Regular simulation of Disaster Recovery plans to recover computing resources in a secondary region.
- Build strong relationships with cloud suppliers at an executive level.

**Supplier and computer hardware related risks**

**Impact**

An event resulting in a loss of functionality at, or a total loss of, a data centre that hosts message send components for a prolonged period will result in sub-optimal service, potentially leading to a loss in revenues. In addition, events preventing or obstructing the platform's communication abilities, such as the blacklisting of IP addresses at major internet service providers will incur revenue loss.

The company relies on a range of upstream suppliers to deliver SMS messages; a change in relationship with one or more of these suppliers, or one or more of these suppliers no longer being able to operate, could impact the company's profitability.

**Mitigation of risk**

- The platforms are architected with resilience to cater for single points of failure, including having multiple upstream and internet suppliers that can keep delivering messages in the event a single supplier fails.
- Frequently reviewing the most profitable upstream supplier routing options, and negotiating contracts regularly based on current and anticipated volume.
- Tracking of message metrics regular reviewed and monitored by the executive team.
- Continual evaluation of suppliers and technologies with the prioritisation of send volume, scalability and resiliency, and business continuity.
- Continual investment in and maintenance of the company's currently owned IP addresses to ensure global reputability and use optimisation.

**Information security and cyber-risks**

**Impact**

The ever-evolving, sophisticated nature of the cyber threat landscape poses an ongoing risk to the company. Revenue depends on the protection of the confidentiality, integrity, and availability of data and computer systems, and a trust in the company's brand. A successful cyber-attack against the company's digital assets could significantly impact the company's ability to function, as well as its ability to retain and attract business.

**DYNMARK INTERNATIONAL LTD**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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**Mitigation of risk**

- Continual investment in a defined information security programme, under the leadership of the dedicated information security function.
- Attainment of the UK government-backed Cyber Essentials Plus Certification, in addition to the implementation of further technical controls such as regular vulnerability scanning, third-party penetration testing, Intrusion Detection/Protection, and security update schedules to proactively detect and remediate against the latest threats.
- The continual promotion of a security culture within the business via various awareness initiatives.
- The transference of some risk by the introduction of Cyber Insurance.

**Internet service providers (ISPs), reputation and internet browser related risks**

**Impact**

As a large proportion of the company's revenue is derived by charging a price per message for sending emails and SMS on behalf of customers, the impact of not being able to deliver these or deliver these without engagement tracking for any reason is significant. If internet browsers detect hyperlinks as a phishing threat, abuse complaints from providers are not dealt with properly, bad customer data generates multiple complaints through ISPs or third-party spam are blacklisted, these impact the platform's overall ability to effectively deliver messages.

**Mitigation of risk**

- Provision of, and investment into, platform functionality to help customers comply with industry best practice, EU, Asia Pacific or US anti-spam regulations.
- Demonstration of commitment to anti-abuse through admittance to various industry groups, such as the Messaging, Malware and Mobile Anti-Abuse Working Group (M3AAWG), the Email Sender and Provider Coalition (ESPC).
- Continued investment into functionality that reduces rogue trial account sign-ups and link checkers on outbound messages to alert in case of phishing or fraud.
- Proactive handling of abuse complaints generated by customer messaging, including account suspension and agreement termination.

**Risks related to key platform integrations**

**Impact**

The company is increasingly investing in integration with third-party platforms to provide an enhanced product feature set – for example, Shopify, Facebook, and Google. These platforms all have various contractual bases for access and the company maintains its obligations carefully. However, any future change in the terms granting the company access may impact our continued ability to integrate our product with these platforms.

**Mitigation of risk**

- Creation and maintenance of strong relationships with these platforms.
- Where possible, creation of revenue-sharing arrangements so there is mutual commercial benefit.
- Continuous review of competing functionality from other vendors.
- Ensuring our platform policies align with the third parties.

**Brexit**

**Impact**

The company has a large business footprint within the United Kingdom in terms of the customer base. Brexit (the expected departure of the United Kingdom from the European Union at the end of October 2019) still has a number of unknowns and these present some amount of risk with regards to the company. Many of our UK-based staff are citizens from other EU countries; at the time of this report being released, there is not yet a full understanding of their right to work in the UK post-Brexit. In addition, a changing legislative environment between a post-Brexit UK, and EU, may place additional regulatory burdens on the company which make it harder to operate with EU-based companies.

**DYNMARK INTERNATIONAL LTD**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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**Mitigation of risk**

- Internal HR team reviewing strategies for dealing with EU staff, depending on Brexit negotiation outcomes.
- Research and monitoring of legislative environment, particularly in relation to data transfers between the UK and EU and visa-versa.
- Internal departments reviewing strategies to address data storage and transfer, depending on Brexit negotiations outcomes.

**Competitive environment**

**Impact**

The sector the company operates in is competitive. The impact of competitors having more features, increased financial backing, better brand recognition and better global coverage increases the risk to the company's business.

**Mitigation of risk**

- Continual revenue growth year-on-year and reinvestment in new product features, best-in-class customer support and service offerings, enhanced brand recognition and improved service delivery.
- Further improvement of the products' renowned user experience, including hiring dedicated user experience professionals.
- Increased tighter integration into the group's core platform, in order to provide a broader and more competitive product feature set.

**Geography specific market changes**

**Impact**

Reliance on revenues relating to a single region increases the risk of revenue loss if that region were to experience an economic decline.

Further, the company's geographic expansion increases the risk of certain successful UK policies and practices proving less successful and providing a poorer level of service and assurance in new territories.

**Mitigation of risk**

- Continual increase in international revenues outside of the UK.
- Successful exploration into options relating to geographic expansion above and beyond the UK– specifically Netherlands.
- Constant review by the executive team for growth opportunities in additional territories.

**Maximise investment in growing high-performance teams**

**Impact**

Failure to attract, hire, develop and retain high-performing individuals will reduce the ability to achieve the company's goals.

**Mitigation of risk**

- Commitment to the delivery of a comprehensive programme of formal and informal learning and development opportunities aligned to the needs and goals of the business.
- Continued commitment to organisational structures, internal communications tools & processes to enable cross-team collaboration.
- Regular evaluation of the benefits to ensure market competitiveness.

**DYNMARK INTERNATIONAL LTD**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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**Development and maintenance of products**

**Impact**

There is a definite risk that without continued growth in investment into new products, maintenance and enhancement of old products and expansion into areas that a maturing marketing and customer engagement market is expecting, the growth of the company will be impaired.

**Mitigation of risk**

- Continued realisation of revenue growth and customer retention from product investment.
- Innovation and increased development of new core product offerings in the customer engagement space, facilitating new revenue opportunities and increasing the average recurring revenue of the Group's existing customers.
- A constant focus on enabling unrestrained customer growth through the ease and flexibility of the Group's best-of-breed integrations.
- Continued evaluation and optimisation of product performance in the technology landscape to reduce maintenance overheads.

**Evolving technology and customer requirements**

**Impact**

Failure to anticipate or respond to evolving technological channels and customer requirements or to introduce competitive enhancements and new features may impact growth and customer retention. The introduction of new solutions by competitors potentially makes the company's solutions less competitive.

**Mitigation of risk**

- Remaining a credible provider of omnichannel customer engagement SaaS solutions through constant investment in and development of new solutions, partnerships and enhancements.
- Development of a strategy that facilitates the implementation of rapidly changing technologies, anticipating client requirements and frequent product enhancements.
- Dedication to remaining relevant to both the B2B and B2C verticals, reducing risk through the breadth of the platform's solutions.
- Continued emphasis on recruiting and retaining leading experts.
- Continued focus on combining email marketing and automation capabilities with the market-driven need for supporting more conversational channels and leveraging data to drive decisions.

**Loss of a strategic partnership**

**Impact**

Revenues could be impacted if a strategic technology partner had lost market share or customers on mass e.g. if they had significant change, loss of service, disaster or data breach. In such an event, customers may re-platform to a technology partner who the company doesn't have a connector with.

If a strategic technology partner blocked access to or no longer accepted a connection to our products, there is also the risk that customers may leave or migrate to a competitor who has a connection, rather than re-platforming away from the technology partner.



**DYNMARK INTERNATIONAL LTD**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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**Mitigation of risk**

- Continued investment to strengthening or relationships with our key strategic technology partners.
- Contractual arrangements and SLAs to mitigate the risk where possible.
- A product & development strategy that continues to build connectors into leading market share e-commerce and CRM platforms, to reduce reliance on a single strategic technology partner.
- Research & development into the competitive environment and e-commerce/CRM market to make informed decisions on connector research & development.
- Services and functionality, to enable customers to migrate between different technology partners, as well as out of the box connectors they can use.
- Continued work with new and emerging partners about providing connector functionality to their products.
- Connectors built into intermediary integration platforms and data synchronization functionality to hundreds of platforms at one time.

**Covid-19**

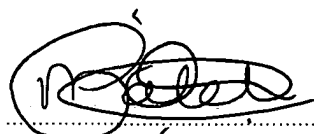
**Impact**

Covid-19 has been declared a global pandemic and as such every country has put in measures to minimise the transmission of the virus. The UK government has urged all employees to work from home where possible and to minimise the amount of social interaction. As a consequence of these measures this will impact consumer spend and behaviour and hence impact some of our client base thereby leading to a possible impact on revenue.

**Mitigation of risk**

- A diverse portfolio of clients across numerous industries should minimise the impact on revenue.
- Set up of processes and procedures to aid existing clients who maybe facing difficulty during this time.
- Continuously monitoring the situation and its impact and adapting procedures and processes to minimise its impact.

**ON BEHALF OF THE BOARD:**



M Patel - Director

Date:

20/03/2020

**DYNMARK INTERNATIONAL LTD**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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The Directors present their report with the financial statements of the company and the group for the year ended 30 June 2019.

**PRINCIPAL ACTIVITY**

The principal activity of the group in the year under review was that of provision of a messaging platform which enables third parties to send messages to and from mobile apps and web enabled devices.

**EVENTS SINCE THE END OF THE YEAR**

Information relating to events since the end of the year is given in the notes to the financial statements.

**DIRECTORS**

Directors holding office are as follows:

M Patel  
G Kasparian  
P Amin  
P Putman (resigned 20 February 2019)

**FINANCIAL INSTRUMENTS**

Details of the company's risk management objectives and policies together with its exposure to financial risk are set out in note 19 to the financial statements.

The purpose of the policies is to ensure that adequate cost-effective funding is available and exposure to financial risk - interest rate, liquidity and credit risk - is minimised.

**PRODUCT DEVELOPMENT**

In the markets in which the company operates, effective development is vital to maintaining competitive advantage and securing future income streams.

**GOING CONCERN**

After making appropriate enquiries, the Directors consider that the company and the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

**STRATEGIC REPORT**

In accordance with section 414C(11) of the Companies Act 2006 the company chooses to report the review of the business, the future outlook and risks and uncertainties faced by the company in the Strategic Report on page 2.

**PRODUCT DEVELOPMENT**

In the markets in which the company operates, effective development is vital to maintaining competitive advantage and securing future income streams.

**RELATED PARTY TRANSACTIONS**

Disclosures relating to related party transactions are set out in note 22 to the financial statements.

**CHARITABLE AND POLITICAL DONATIONS**

No charitable or political donations were made by the company.

**DYNMARK INTERNATIONAL LTD**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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**SUPPLIER PAYMENT POLICY**

The company's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction and to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment. The average trade creditors for the company, expressed as a number of days, were 163 days (2018: 89 days).

**EMPLOYEES**

The number of employees and their remuneration is set out in note 4.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

The company complies with all applicable labour laws in the respective jurisdictions in which it operates.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Report of the Directors 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 International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS;
- 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.

**DYNMARK INTERNATIONAL LTD**

**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**


So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The directors who held office at the date of approval of this directors' report confirm, that so far they are aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish the company's auditor are aware of that information.

**AUDITORS**

The auditors, Jeffreys Henry LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

  
M Patel - Director

Date: 20/03/2020

**DYNMARK INTERNATIONAL LTD**

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF**  
**DYNMARK INTERNATIONAL LTD**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DYNMARK INTERNATIONAL LIMITED**

We have audited the financial statements of Dynmark International Limited (the 'company') and its subsidiary (the 'Group') which comprise the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the company's affairs as at 30 June 2019 and of the Group's and company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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 as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the company's ability to continue to adopt the going concern basis of accounting for a year of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **DYNMARK INTERNATIONAL LTD**

### **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF** **DYNMARK INTERNATIONAL LTD**

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#### **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.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements [and the part of the directors' remuneration report to be audited] 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.
- the director was not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Director's Report and take advantage of the small companies exemption from the requirement to prepare a Strategic Report.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

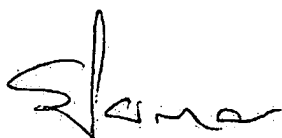
[www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**DYNMARK INTERNATIONAL LTD**  
**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF**  
**DYNMARK INTERNATIONAL LTD**

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**Use of this 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.



**Sanjay Parmar**  
Senior Statutory Auditor

For and on behalf of  
**Jeffreys Henry LLP (Statutory Auditors)**  
Finsgate  
5-7 Cranwood Street  
London  
EC1V 9EE  
20 March 2020

**DYNMARK INTERNATIONAL LTD**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2019**

		Year Ended 30.6.19 £	Period 1.1.17 to 30.6.18 £
	Notes		
<b>CONTINUING OPERATIONS</b>			
Revenue		8,885,674	15,459,987
Cost of sales		<u>(6,967,385)</u>	<u>(10,248,697)</u>
<b>Gross profit</b>		<b>1,918,289</b>	<b>5,211,290</b>
Administrative expenses	7	(3,338,226)	(2,892,634)
Exceptional items	5	-	(3,112,316)
<b>OPERATING LOSS</b>		<u><b>(1,419,937)</b></u>	<u><b>(793,660)</b></u>
Finance costs	6	<u>(351)</u>	<u>(124,055)</u>
<b>LOSS BEFORE INCOME TAX</b>		<b>(1,420,288)</b>	<b>(917,715)</b>
Income tax expense	8	<u>(407)</u>	<u>(1,529)</u>
<b>Loss for the year from continuing operations</b>		<u><b>(1,420,695)</b></u>	<u><b>(919,244)</b></u>
<b>Loss for the year attributable to the owners of the parent</b>		<u><b>(1,420,695)</b></u>	<u><b>(919,244)</b></u>
<b>LOSS FOR THE PERIOD</b>		<b>(1,420,695)</b>	<b>(919,244)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that may be subsequently reclassified to profit and loss:			
Exchange differences on translating foreign operations		<u>(53,968)</u>	<u>3,284</u>
<b>Total comprehensive income attributable to: Owners of the parent</b>		<u><b>(1,474,663)</b></u>	<u><b>(915,960)</b></u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>			
Comprehensive income from continuing operations		<u><b>(1,474,663)</b></u>	<u><b>(915,960)</b></u>



**DYNMARK INTERNATIONAL LTD****CONSOLIDATED STATEMENT OF FINANCIAL POSITION****30 JUNE 2019**

		30.6.19 £	30.6.18 £
	Notes		
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	10	795	850,035
Property, plant and equipment	11	<u>22,905</u>	<u>27,102</u>
		<u>23,700</u>	<u>877,137</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	13	1,863,369	2,175,195
Cash and cash equivalents	14	<u>1,190,891</u>	<u>1,068,149</u>
		<u>3,054,260</u>	<u>3,243,344</u>
<b>TOTAL ASSETS</b>		<b><u>3,077,960</u></b>	<b><u>4,120,481</u></b>
<b>EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT</b>			
Called up share capital	15	5,912	5,912
Share premium	16	1,215,696	1,215,696
Retranslation reserve	16	(50,684)	3,284
Retained earnings	16	<u>(3,019,738)</u>	<u>(1,599,043)</u>
<b>TOTAL EQUITY</b>		<b>(1,848,814)</b>	<b>(374,151)</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	<u>4,926,774</u>	<u>4,494,632</u>
<b>TOTAL LIABILITIES</b>		<b><u>4,926,774</u></b>	<b><u>4,494,632</u></b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b><u>3,077,960</u></b>	<b><u>4,120,481</u></b>

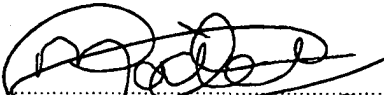
**DYNMARK INTERNATIONAL LTD**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued**

**30 JUNE 2019**

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The financial statements were approved and authorised for issue by the Board of Directors on 20 March 2020 and were signed on its behalf by:

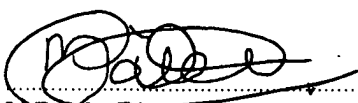
  
.....  
M. Patel - Director

Company registration number: 04343332 (England and Wales)

**DYNMARK INTERNATIONAL LTD**  
**COMPANY STATEMENT OF FINANCIAL POSITION**  
**30 JUNE 2019**

		30.6.19 £	30.6.18 £
	Notes		
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	10	88	849,328
Tangible assets	11	22,905	27,102
Investments	12	1,000	1,000
		<u>23,993</u>	<u>877,430</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	13	2,033,478	2,299,631
Cash and cash equivalents	14	1,174,046	1,052,528
		<u>3,207,524</u>	<u>3,352,159</u>
<b>TOTAL ASSETS</b>		<u><b>3,231,517</b></u>	<u><b>4,229,589</b></u>
<b>EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT</b>			
Called up share capital	15	5,912	5,912
Share premium	16	1,215,696	1,215,696
Retained earnings	16	(2,995,418)	(1,558,643)
<b>TOTAL EQUITY</b>		<u><b>(1,773,810)</b></u>	<u><b>(337,035)</b></u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	5,005,327	4,566,624
<b>TOTAL LIABILITIES</b>		<u><b>5,005,327</b></u>	<u><b>4,566,624</b></u>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<u><b>3,231,517</b></u>	<u><b>4,229,589</b></u>

The financial statements were approved and authorised for issue by the Board of Directors on 20 March 2020 and were signed on its behalf by:

  
 M Patel – Director

Company registration number: 04343332 (England and Wales)

**DYNMARK INTERNATIONAL LTD**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	Called up share capital £	Retranslation reserve £	Retained earnings £	Share premium £	Total Equity £
<b>Balance as at 1 January 2017 (Restated)</b>	<b>5,384</b>	<b>-</b>	<b>(679,799)</b>	<b>992,182</b>	<b>317,767</b>
Share issue	528	-	-	223,514	224,042
Loss for the Period	-	-	(919,244)	-	(919,244)
Other comprehensive income	-	3,284	-	-	3,284
Total comprehensive income	<u>528</u>	<u>3,284</u>	<u>(919,244)</u>	<u>223,514</u>	<u>(691,918)</u>
<b>Balance as at 30 June 2018</b>	<b>5,912</b>	<b>3,284</b>	<b>(1,599,043)</b>	<b>1,215,696</b>	<b>(374,151)</b>
Share issue	-	-	-	-	-
Loss for the period	-	-	(1,420,695)	-	(1,420,695)
Other comprehensive income	-	(53,968)	-	-	(53,968)
Total comprehensive income	<u>-</u>	<u>(53,968)</u>	<u>(1,420,695)</u>	<u>-</u>	<u>(1,474,663)</u>
<b>Balance as at 30 June 2019</b>	<b><u>5,912</u></b>	<b><u>(50,684)</u></b>	<b><u>(3,019,738)</u></b>	<b><u>1,215,696</u></b>	<b><u>(1,848,814)</u></b>

- Share capital is the amount subscribed for shares at nominal value.
- Retained earnings represents the cumulative earnings of the Group attributable to equity shareholders.
- Share premium represents the excess of the amount subscribed for share capital over the nominal value of the net share issue expenses.
- Retranslation reserve relates to the retranslation of foreign subsidiaries into the functional currency of the Group.

**DYNMARK INTERNATIONAL LTD**

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
<b>Balance as at 1 January 2017 (Restated)</b>	<b>5,384</b>	<b>(737,520)</b>	<b>992,182</b>	<b>260,046</b>
Share issue	528	-	223,514	224,042
Loss for the year (Restated)	-	(821,123)	-	(821,123)
Total comprehensive income (Restated)	<u>528</u>	<u>(821,123)</u>	<u>223,514</u>	<u>(597,081)</u>
<b>Balance as at 30 June 2018</b>	<b>5,912</b>	<b>(1,558,643)</b>	<b>1,215,696</b>	<b>(337,035)</b>
Share issue	-	-	-	-
Loss for the period	-	(1,436,775)	-	(1,436,775)
Total comprehensive income	<u>-</u>	<u>(1,436,775)</u>	<u>-</u>	<u>(1,436,775)</u>
<b>Balance as at 30 June 2019</b>	<b><u>5,912</u></b>	<b><u>(2,995,418)</u></b>	<b><u>1,215,696</u></b>	<b><u>(1,773,810)</u></b>

- Share capital is the amount subscribed for shares at nominal value.
- Retained earnings represents the cumulative earnings of the company attributable to equity shareholders.
- Share premium represents the excess of the amount subscribed for share capital over the nominal value of the net share issue expenses.

**DYNMARK INTERNATIONAL LTD**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

		Year Ended 30.6.19 £	Period 1.1.17 to 30.6.18 £
	Notes		
<b>Cash flows from operating activities</b>			
Cash generated from operations	24	<u>1,028,801</u>	<u>2,736,635</u>
<b>Net cash generated from operating activities</b>		<u><b>1,028,801</b></u>	<u><b>2,736,635</b></u>
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		(881,353)	(716,717)
Purchase of tangible fixed assets		(23,995)	(25,125)
Sale of tangible fixed assets		<u>-</u>	<u>4,047</u>
<b>Net cash flows used in investing activities</b>		<u><b>(905,348)</b></u>	<u><b>(737,795)</b></u>
<b>Cash flows from financing activities</b>			
Share issue		-	224,042
Repayment of loans		-	(1,397,038)
Repayment of finance leases		(711)	(25,087)
Interest paid		<u>-</u>	<u>(124,055)</u>
<b>Net cash flows (used)/from financing activities</b>		<u><b>(711)</b></u>	<u><b>(1,322,138)</b></u>
<b>Increase in cash and cash equivalents</b>		<b>122,742</b>	<b>676,702</b>
Cash and cash equivalents at beginning of period	25	<u>1,068,149</u>	<u>391,447</u>
<b>Cash and cash equivalents at end of period</b>	25	<u><b>1,190,891</b></u>	<u><b>1,068,149</b></u>

**DYNMARK INTERNATIONAL LTD**

**COMPANY STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

		Year Ended 30.6.19 £	Period 1.1.17 To 30.6.18 £
	Notes		
<b>Cash flows from operating activities</b>			
Cash generated from operations	24	<u>1,027,577</u>	<u>2,720,321</u>
		<u>1,027,577</u>	<u>2,720,321</u>
<b>Net cash generated from operating activities</b>			
 <b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		(881,353)	(716,010)
Purchase of tangible fixed assets		(23,995)	(25,125)
Sale of tangible fixed assets		<u>-</u>	<u>4,047</u>
<b>Net cash flows used in investing activities</b>		<u>(905,348)</u>	<u>(737,088)</u>
 <b>Cash flows from financing activities</b>			
Share issue		-	224,042
Repayment of loans		-	(1,397,038)
Repayment of finance leases		(711)	(25,087)
Interest Paid		<u>-</u>	<u>(124,055)</u>
<b>Net cash flows (used)/from financing activities</b>		<u>(711)</u>	<u>(1,322,138)</u>
 <b>Increase in cash and cash equivalents</b>		<b>121,518</b>	<b>661,095</b>
Cash and cash equivalents at beginning of period	25	<u>1,052,528</u>	<u>391,433</u>
<b>Cash and cash equivalents at end of period</b>	25	<u>1,174,046</u>	<u>1,052,528</u>

**DYNMARK INTERNATIONAL LTD**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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**1. ACCOUNTING POLICIES**

**General information**

Dynmark International Ltd (Dynmark) is a limited company incorporated in England and Wales. The address of the registered office is No 1 London Bridge, London Bridge, London SE1 9BG. The principal activity of the Group is described on page 8.

**Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and those parts of Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The Group has applied all accounting standards and interpretations issued by the International Accountancy Standards Board and International Accounting Interpretations Committee effective at the time of preparing the financial statements.

The financial statements are presented in sterling (£), rounded to the nearest pound.

**New and amended standards adopted by the Group**

The company has applied IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers for the first time for the period commencing 1 July 2018.

**Impact of initial application of IFRS 9 Financial Instruments**

In the current year the company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for annual periods an annual period that begins on or after 1 January 2018. IFRS 9 Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and Measurement, impacts the classification and measurement of the company's financial instruments and requires certain additional disclosures. The transition provisions of IFRS 9 allow an entity not to restate comparatives.

IFRS 9 introduced new requirements for:-

1. The classification and measurement of financial assets and financial liabilities
- 2 Impairment of financial assets
- 3 General hedge accounting

IFRS 9 has not had a material impact in the presentation of the accounts of the Group.

**Impact of the application of IFRS 15 Revenue from Contracts with Customers**

In the current year, the company has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. The company's accounting policies for its revenue streams are disclosed in detail in note 2 below. IFRS 15 has had no impact on the company's financial statements as the company recognises revenue when it arises.

The notes form part of these financial statements

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**DYNMARK INTERNATIONAL LTD**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**1. ACCOUNTING POLICIES - continued**

**Standards, interpretations and amendments to published standards that are not yet effective**

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 July 2018 and have not been early adopted. The full impact of their adoption has not yet been fully assessed; however, management do not expect the changes to have a material effect on the Financial Statements unless otherwise indicated:

Reference	Title	Summary	Application date of standard	Application date of Group
IAS 1 and IAS 8	Definition of material	Clarifies the definition of 'material' and align the definition used in the Conceptual Framework.	Periods beginning on or after 1 Jan 2020	1 July 2020
IAS 19	Plan Amendment, Curtailment or Settlement	Amendments to Plan Amendment, Curtailment or Settlement.	Periods beginning on or after 1 January 2019	1 July 2019
IAS 28	Investment in Associates and Joint Ventures	Clarifies that an entity applies IFRS 9 Financial Instruments to long term interests in associate or joint venture but to which the entity method is not applied	Periods beginning on or after 1 January 2019	1 July 2019
IFRS 9	Financial Instruments	Amendments regarding termination rights in order to allow measurement at amortised cost even in the case of negative compensation payments	Periods beginning on or after 1 January 2019	1 July 2019
IFRS 3, IFRS 11, IAS 12 and IAS 23	Annual Improvements to IFRS Standards 2015 – 2017 Cycle	Annual improvements	Periods beginning on or after 1 January 2019	1 July 2019
IFRS 16	Leases	Original issue	Periods beginning on or after 1 January 2019	1 July 2019

The notes form part of these financial statements

**DYNMARK INTERNATIONAL LTD**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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**1. ACCOUNTING POLICIES - continued**

**New Standards and interpretations not yet adopted**

IFRS 16 Leases was issued in January 2016 but is not mandatory for the year ending 30 June 2019 and has not been adopted early by the company. As a consequence of this new standard, this will result in all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Thereby resulting in an asset and a financial liability to pay rentals being recognised on the Statement of Financial Position.

As at the reporting date, the Group has non-cancellable operating lease commitments of £163,909 (see note 18), which will be recognised on a straight-line basis as an expense in the income statement. At the date of transition, being 1 July 2019, and in the year after transition, there will be an impact on the company's consolidated income statement where the fixed rental expense (currently recognised within administrative expenses) is replaced by a depreciation charge and an interest expense. This will lead to a reduction in operating profit as a result of removing the operating lease expense net of the new leased asset depreciation charge. The company expects to recognise right-of-use assets of approximately £200,000 and lease liabilities of £200,000 (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019). The company expects a reduction in operating cost of approximately £100,000 with a corresponding increase in depreciation of £95,000 and an increase of £5,000 in finance costs, resulting in no net impact in profit after for the year ended 30 June 2020 as a result of adopting the new rules.

**Subsidiaries**

A subsidiary is an entity whose operating and financing policies are controlled by the Group. Subsidiaries are consolidated from the date on which control was transferred to the Group. Subsidiaries cease to be consolidated from the date the Group no longer has control. Intercompany transactions, balances and unrealised gains on transactions between Group companies have been eliminated on consolidation.

The Group applies the acquisition method to account for business combinations. In the statement of financial position, the acquiree's identifiable assets and liabilities are initially recognised at their fair values at the acquisition date.

**Revenue recognition**

Revenue comprises of the fair value of the consideration received or receivable for the sale of services in the ordinary course of the company's activities. Revenue is shown net of value added taxes, rebates and discounts.

The company recognises revenue when the amount of revenue can be reliably measured, and it is possible that the future economic benefits will flow to the entity. The company bases its estimates on historical results, taking in to consideration the type of customer, the type of transaction and the specifics of the arrangement.

The company sells messaging services to other businesses and services are either provided on a usage basis or fixed price bespoke contract. Revenue from messages are recognised at the point at which the messages are credited to the customer account. Revenue of other services are recognised in line with the date of provision of services.

**Investments in subsidiaries**

Investments are held as non-current assets at cost less any provision for impairment. Where the recoverable amount of the investment is less than the carrying amount, impairment is recognised.

**Going concern**

The Directors, at the time of approving the financial statements, have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' report.

**Operating profit**

Operating profit is stated after charging operating expenses but before finance costs.

**DYNMARK INTERNATIONAL LTD**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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**1. ACCOUNTING POLICIES - continued**

**Intangible assets**

Intangible assets are recorded as separately identifiable assets and recognised at historical cost less any accumulated amortisation. These assets are amortised over their useful economic lives of four to five years, with the charge included in administrative expenses in the income statement.

Intangible assets are reviewed for impairment annually. Impairment is measured by determining the recoverable amount of an asset or cash generating unit (CGU) which is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

**- Software**

Acquired software and websites are shown at historical cost. They have a finite life and are carried at cost less accumulated amortisation. Amortisation is calculated using straight-line method to allocate the cost of software and websites over their useful lives of four years.

**-Product development**

Product development expenditure is capitalised when it is considered that there is a commercially and technically viable product, the related expenditure is separately identifiable and there is a reasonable expectation that the related expenditure will be exceeded by future revenues. Following initial recognition, product developments are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of these intangible assets are assessed to have a finite life of five years. Amortisation is charged on assets with finite lives, and until economic benefit can be received and recognised, this expense is taken to the income statement and useful lives are reviewed on an annual basis. Amortisation is charged from the point when the asset is available for use.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which they are ready for use on a straight-line basis over their useful life.

Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- It is technically feasible to complete the intangible asset so that it will be available for use or resale;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible assets;
- It can be demonstrated how the intangible asset will generate possible future economic benefits;
- Adequate technical, financial and other resource to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

**DYNMARK INTERNATIONAL LTD**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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**1. ACCOUNTING POLICIES - continued**

**Impairment of non-financial assets (excluding goodwill)**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

**Property, plant and equipment**

Tangible non-current assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits are associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Depreciation is provided at the following rates in order to write off each asset over its estimated useful life and is based on the cost of assets less residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Short leasehold:	over the term of the lease
Fixtures and fittings:	25% on cost
Computer equipment:	25% on cost

The assets' residual values and useful economic lives are reviewed and adjusted, if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable value.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses) or gains in the income statement.

**Capital risk management**

The Group manages its capital to ensure it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of cash equivalents and equity attributable to the owners of the parent as disclosed in the statement of changes in equity.

**Taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

**DYNMARK INTERNATIONAL LTD**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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**1. ACCOUNTING POLICIES - continued**

**Current tax**

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

**Deferred taxation**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference will be utilised.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income asset is realised or deferred income tax liability is settled.

**Operating leases**

Rent payable under operating leases is not recognised in the Group's statement of financial position. Such costs are expensed on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total expense, over the term of the lease.

**Financial instruments**

Financial assets and financial liabilities are recognised on the statement of financial position when an entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

**- Financial assets**

The company's accounting policies for financial assets are set out below:

Management determine the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and, where allowed and appropriate, revalue this designation at every reporting date.

All financial assets are recognised on a trade date when, and only when, the company becomes a party to the contractual provisions of an instrument. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except for those finance assets classified as at fair value through profit or loss ('FVPL'), which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at FVPL, 'amortised cost' or 'fair value through other comprehensive income' ('FVOCI'). The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

**DYNMARK INTERNATIONAL LTD**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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**1. ACCOUNTING POLICIES - continued**

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually, the company recognises lifetime expected credit losses ('ECL') when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

**- Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows

**- Trade receivables**

Trade receivables are recognised initially at the lower of their original invoiced value and recoverable amount. A provision is made when it is likely that the balance will not be recovered in full. Terms on receivables range from 30 to 90 days.

**- Financial liabilities and equity**

Financial liabilities and equity are recognised on the Group's statement of financial position when the Group becomes a party to a contractual provision of an instrument. Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of transaction costs.

The Group's financial liabilities include trade payables and accrued liabilities.

**- Trade payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Terms on accounts payable range from 10 to 90 days.

**Foreign currency risk**

Currency risk is the risk that the holding of foreign currencies will affect the Group's position as a result of a change in foreign currency exchange rates. The Group has no significant foreign currency risk as most of the Group's financial assets and liabilities are denominated in functional currencies of relevant Group entities. Accordingly, no quantitative market risk disclosures or sensitivity analysis for currency risks have been prepared.

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognised in other comprehensive income.

**DYNMARK INTERNATIONAL LTD**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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**1. ACCOUNTING POLICIES - continued**

**Equity**

Share capital is the amount subscribed for shares at their nominal value.

Share premium represents the excess of the amount subscribed for the share capital over the nominal value of the respective shares net of share issue expenses.

Retained earnings represent the cumulative earnings of the Group attributable to equity shareholders.

**Functional currency translation**

**- Functional and presentation currency**

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates (functional currency), which is mainly pounds sterling (£) and it is this currency the financial statements are presented in.

**- Transaction and balances**

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

**Employee benefit costs**

The Group operates a defined contribution pension scheme. Contributions payable by the Group's pension scheme are charged to the income statement in the period in which they relate.

**Critical accounting estimates and judgements**

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**Judgements**

*Capitalisation of development costs*

Our business model is underpinned by our messaging automation platform, activities are continually undertaken to enhance and maintain the product in a bid to stay ahead of our competition. Management review the work of developers during the period and make the following judgements:

- Following the acquisition of the Group by the dotdigital Group internal work relating to product development is reviewed against IAS 38 criteria and will be capitalised if management feel the criteria have been met. Those balances expensed to the income statement prior to acquisition have been reviewed and capitalised where applicable. Prior year comparatives have been restated to reflect current policy.

- Internal work relating to the maintenance of existing products is expensed to the income statement and accounted for in payroll costs.

**DYNMARK INTERNATIONAL LTD**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**1. ACCOUNTING POLICIES - continued**

**Estimates and assumptions**

*Depreciation and amortisation*

The Group depreciates short leasehold, fixtures and fittings, computer equipment and amortises computer software, internally generated development costs and domain names on a straight-line method over the estimated useful lives. The estimated useful lives reflect the Directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's short leasehold fixtures and fittings, computer equipment, computer software, internally generated development costs and domain names.

**2. SEGMENTAL REPORTING**

The company's single line of business is the provision messaging platform which enables third parties to send messages to and from mobile apps and web enabled devices.

All of the company's revenue arises from the UK and all the company's non-current assets are held there.

**4. EMPLOYEES AND DIRECTORS**

	Year Ended 30.6.19 £	Period 1.1.17 to 30.6.18 £
Wages and salaries	1,526,386	1,839,812
Social security costs	138,908	234,868
Other pension costs	37,654	28,768
	<u>1,702,948</u>	<u>2,103,448</u>

The average monthly number of employees during the period was as follows

	Year Ended 30.6.19	Period 1.1.17 to 30.6.18
Directors	1	4
Sales and marketing	15	10
Product developers	14	12
Admin	3	4
	<u>33</u>	<u>30</u>



**DYNMARK INTERNATIONAL LTD**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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5. **EXCEPTIONAL ITEMS**

Exceptional cost of £nil (2018: £2,903,748) relates to a write off of a loan with Donky Networks Ltd, a related party and £nil (2018: £208,568) relates to the acquisition of the company by the Dotdigital Group.

6. **NET FINANCE COSTS**

	Year Ended 30.6.19 £	Period 1.1.17 to 30.6.18 £
Finance costs:		
Preference share interest	-	49,155
Bank loan interest	351	74,900
	<u>351</u>	<u>124,055</u>

**DYNMARK INTERNATIONAL LTD**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**7. OPERATING PROFIT**

	Year Ended 30.6.19 £	Period 1.1.17 to 30.6.18 £
Staff related costs (inc Directors emoluments) – note 4	1,702,948	2,103,448
Operating leases: Land and buildings	120,182	91,878
Operating lease: Other	-	1,079
Accountancy	16,989	7,043
Audit remuneration	12,000	12,000
Amortisation of intangibles	317,760	62,104
Depreciation charge	28,192	38,548
Legal, professional and consultancy fees	94,461	201,975
Computer expenditure	205,741	121,820
Bad debts	11,029	-
Foreign exchange (gains)/losses	(10,271)	27,021
Travelling	55,077	64,874
Office running	15,056	24,421
Staff Welfare	35,193	61,980
Management recharge	592,126	(217,142)
Other costs	<u>141,743</u>	<u>291,585</u>
Total administration costs	<u>3,338,226</u>	<u>2,892,634</u>

During the year the group obtained the following services from the group's auditor at costs detailed below:

	Year Ended 30.6.19 £	Period 1.1.17 to 30.6.18 £
Fees payable to the company's auditor for the audit of Parent company and consolidated financial statements	12,000	12,000
Fees payable to the company's auditor for other services		
- non-audit fees	<u>-</u>	<u>-</u>
	<u>12,000</u>	<u>12,000</u>

**DYNMARK INTERNATIONAL LTD**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**8. INCOME TAX EXPENSE**

Analysis of the tax charge from continuing operations:

	Year Ended 30.6.19 £	Period 1.1.17 to 30.6.18 £
Current tax on profits for the period	407	1,529
Deferred tax on origination and reversal of timing differences	-	-
	<u>407</u>	<u>1,529</u>

Factors affecting the tax charge:

	Year Ended 30.6.19 £	Period 1.1.17 to 30.6.18 £
(Loss)/profit on ordinary activities before tax	<u>(1,420,288)</u>	<u>(917,715)</u>
(Loss)/Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19.16%)	(269,854)	(175,834)
Effects of:		
Expenses not deductible	97	506,843
Research and development enhanced claim	(377,982)	(332,162)
Utilisation of Group losses	507,634	-
Unrelieved tax losses carried forward	83,441	(27,772)
Overseas tax losses/(profits)	(3,135)	19,328
Capital allowances in excess of depreciation	<u>60,206</u>	<u>11,126</u>
Total income tax	<u>407</u>	<u>1,529</u>

For further details on deferred tax see note 20.

**9. PROFIT/(LOSS) OF PARENT COMPANY**

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial period was £1,436,775 (2018: £821,123).

**DYNMARK INTERNATIONAL LTD**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**10. INTANGIBLE ASSETS**

**Group**

	Computer software £	Development costs £	Patents £	Totals £
<b>COST</b>				
At 1 July 2018	216,013	917,515	20,503	1,154,031
Transfer from group company	-	113,555	-	113,555
Additions	-	881,353	-	881,353
Transfer to group company	-	(1,912,423)	(20,503)	(1,932,926)
At 30 June 2019	216,013	-	-	216,013
<b>AMORTISATION</b>				
At 1 July 2018	214,514	74,765	14,717	303,996
Transfer from group company	-	14,542	-	14,542
Amortisation for the period	704	314,854	2,202	317,760
Transfer to group company	-	(404,161)	(16,919)	(421,080)
At 30 June 2019	215,218	-	-	215,218
<b>NET BOOK VALUE</b>				
At 30 June 2019	795	-	-	795

During the year, the company transferred all its development costs and patents to its fellow subsidiary dotdigital EMEA Ltd following the full integration of the technology into the Engagement Cloud platform.

	Computer software £	Development costs £	Patents £	Totals £
<b>COST</b>				
At 1 January 2017 (Restated)	208,634	208,177	20,503	437,314
Additions (restated)	7,379	709,338	-	716,717
At 30 June 2018	216,013	917,515	20,503	1,154,031
<b>AMORTISATION</b>				
At 1 January 2017 (Restated)	208,634	20,743	12,515	241,892
Amortisation for the Period (restated)	5,880	54,022	2,202	62,104
At 30 June 2018	214,514	74,765	14,717	303,996
<b>NET BOOK VALUE</b>				
At 30 June 2018	1,499	842,750	5,786	850,035

Following the acquisition of the group by the dotdigital Group, the prior year comparatives for development costs have been restated to reflect the accounting policy of the parent company of capitalising internal work relating to product development where IAS 38 criteria are met.

**DYNMARK INTERNATIONAL LTD**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2019**

10. **INTANGIBLE ASSETS - continued**

**Company**

	Computer software £	Development costs £	Patents £	Totals £
<b>COST</b>				
At 1 July 2018	215,306	917,515	20,503	1,153,324
Transfer from group company	-	113,555	-	113,555
Additions	-	881,353	-	881,353
Transfer to group company	-	(1,912,423)	(20,503)	(1,932,926)
At 30 June 2019	215,306	-	-	215,306
<b>AMORTISATION</b>				
At 1 July 2018	214,514	74,765	14,717	303,996
Transfer from group company	-	14,542	-	14,542
Amortisation for the period	704	314,854	2,202	317,760
Transfer to group company	-	(404,161)	(16,919)	(421,080)
At 30 June 2019	215,218	-	-	215,218
<b>NET BOOK VALUE</b>				
At 30 June 2019	88	-	-	88

	Computer software £	Development costs £	Patents £	Totals £
<b>COST</b>				
At 1 January 2017 (Restated)	208,634	208,177	20,503	437,314
Additions	6,672	709,338	-	716,010
At 30 June 2018	215,306	917,515	20,503	1,153,324
<b>AMORTISATION</b>				
At 1 January 2017 (Restated)	208,634	20,743	12,515	241,892
Amortisation for the period	5,880	54,022	2,202	62,104
At 30 June 2018	214,514	74,765	14,717	303,996
<b>NET BOOK VALUE</b>				
At 30 June 2018	792	842,750	5,786	849,328

Following the acquisition of the Group by the Dotdigital Group, the prior year comparatives for development costs have been restated to reflect the accounting policy of the parent company of capitalising internal work relating to product development where IAS 38 criteria are met.

**DYNMARK INTERNATIONAL LTD**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**11. PROPERTY, PLANT AND EQUIPMENT**

**Group and Company**

	Fixtures & fittings £	Computer equipment £	Totals £
<b>COST</b>			
At 1 July 2018	117,757	283,938	401,695
Additions	<u>2,279</u>	<u>21,716</u>	<u>23,995</u>
At 30 June 2019	<u>120,036</u>	<u>305,654</u>	<u>425,690</u>
<b>DEPRECIATION</b>			
At 1 July 2018	110,784	263,809	374,593
Depreciation for the period	<u>6,130</u>	<u>22,062</u>	<u>28,192</u>
At 30 June 2019	<u>116,914</u>	<u>285,871</u>	<u>402,785</u>
<b>NET BOOK VALUE</b>			
At 30 June 2019	<u>3,122</u>	<u>19,783</u>	<u>22,905</u>
	Fixtures & Fittings £	Computer equipment £	Totals £
<b>COST</b>			
At 1 January 2017	117,830	262,787	380,617
Additions	-	25,125	25,125
Disposals	<u>(73)</u>	<u>(3,974)</u>	<u>(4,047)</u>
At 30 June 2018	<u>117,757</u>	<u>283,938</u>	<u>401,695</u>
<b>DEPRECIATION</b>			
At 1 January 2017	109,151	226,894	336,045
Depreciation for the period	<u>1,633</u>	<u>36,915</u>	<u>38,548</u>
At 30 June 2018	<u>110,784</u>	<u>263,809</u>	<u>374,593</u>
<b>NET BOOK VALUE</b>			
At 30 June 2018	<u>6,973</u>	<u>20,129</u>	<u>27,102</u>

**DYNMARK INTERNATIONAL LTD**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2019**

12. **INVESTMENTS**

**Company**

	Shares in Group undertakings 30.6.19 £	Shares in Group undertakings 31.12.18 £
<b>COST</b>		
At 1 January 2017	1,000	-
Additions	-	1,000
At 30 June 2018	1,000	1,000
<b>AMORTISATION</b>		
At 1 January and 30 June	-	-
<b>NET BOOK VALUE</b>		
At 30 June	1,000	1,000

The Group's or the Company's investments at the balance sheet date in the share capital of companies include the following:

<b>Subsidiaries</b>	<b>Nature of business</b>	<b>Class of share</b>	<b>Proportion of voting power held %:</b>
Dynmark S.p. z.o.o	Business and software development	Ordinary	100

The above subsidiary has been included within the consolidated results. Dynmark S.p. z.o.o was incorporated in Poland.

**DYNMARK INTERNATIONAL LTD**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2019**

13. **TRADE AND OTHER RECEIVABLES**

	<b>Group</b>		<b>Company</b>	
	30.6.19	30.6.18	30.6.19	30.6.18
	£	£	£	£
<b>Current:</b>				
Trade receivables	1,438,870	1,483,256	1,438,870	1,483,256
Amounts owed by Group undertakings	-	-	345,692	538,268
Amounts owed by related parties	175,583	399,625	-	-
Other receivables	5,776	25,059	5,776	10,852
Prepayments and accrued income	141,611	165,726	141,611	165,726
Tax recoverable	49,730	49,730	49,730	49,730
Deferred taxation	51,799	51,799	51,799	51,799
	<u>1,863,369</u>	<u>2,175,195</u>	<u>2,033,478</u>	<u>2,299,631</u>

Further details on the above can be found in note 19.

14. **CASH AND CASH EQUIVALENTS**

	<b>Group</b>		<b>Company</b>	
	30.6.19	30.6.18	30.6.19	30.6.18
	£'000	£'000	£'000	£'000
Bank accounts	<u>1,190,891</u>	<u>1,068,149</u>	<u>1,174,046</u>	<u>1,052,528</u>
	<u>1,190,891</u>	<u>1,068,149</u>	<u>1,174,046</u>	<u>1,052,528</u>

Further details on the above can be found in note 25.



**DYNMARK INTERNATIONAL LTD**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**15. CALLED UP SHARE CAPITAL**

Allotted, issued, fully paid number	Nominal value	30.6.19 £	30.6.18 £
466,278 (2016: 413,520) Ordinary shares	£0.01	4,663	4,663
124,850 (2016: 124,850) Ordinary 'A' shares	£0.01	<u>1,249</u>	<u>1,249</u>
		<u>5,912</u>	<u>5,912</u>

On the 21 November 2017, 52,758 ordinary shares were issued at a premium price of £4.25.

**16. RESERVES**  
**Group**

	Retained earnings £	Share premium £	Retranslation reserve £	Totals £
As at 30 June 2018	(1,599,043)	1,215,696	3,284	(380,063)
Loss for the period	(1,420,695)	-	-	(1,420,695)
Other comprehensive income:				
Currency translation	<u>-</u>	<u>-</u>	<u>(53,968)</u>	<u>(53,968)</u>
Balance as at 30 June 2019	<u>(3,019,738)</u>	<u>1,215,696</u>	<u>(50,684)</u>	<u>(1,854,726)</u>

**DYNMARK INTERNATIONAL LTD**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2019**

16. **RESERVES - continued**

<b>Group</b>	Retained earnings £	Share premium £	Retranslation Reserve £	Totals £
As at 1 January 2017 (Restated)	(679,799)	992,182	-	312,383
Issue of share capital	-	223,514	-	223,514
Loss for the period	(919,244)	-	-	(919,244)
Other comprehensive income: Currency translation	-	-	3,284	3,284
	<u>(1,599,043)</u>	<u>1,215,696</u>	<u>3,284</u>	<u>(380,063)</u>
Balance as at 30 June 2018	<u>(1,599,043)</u>	<u>1,215,696</u>	<u>3,284</u>	<u>(380,063)</u>

<b>Company</b>	Retained earnings £	Share premium £	Totals £
At 1 July 2018	(1,558,643)	1,215,696	(342,947)
Loss for the period	<u>(1,436,775)</u>	<u>-</u>	<u>(1,436,775)</u>
At 30 June 2019	<u>(2,995,418)</u>	<u>1,215,696</u>	<u>(1,779,722)</u>

<b>Company</b>	Retained earnings £	Share premium £	Totals £
At 1 January 2017 (Restated)	(737,520)	992,182	254,662
Issue of share capital	-	223,514	223,514
Loss for the period	<u>(821,123)</u>	<u>-</u>	<u>(821,123)</u>
At 30 June 2018	<u>(1,558,643)</u>	<u>1,215,696</u>	<u>(342,947)</u>

**DYNMARK INTERNATIONAL LTD**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**17. TRADE AND OTHER PAYABLES**

	<b>Group</b>		<b>Company</b>	
	30.6.19	30.6.18	30.6.19	30.5.18
	£	£	£	£
<b>Current:</b>				
Trade payables	3,116,091	2,507,268	3,094,112	2,484,147
Amounts owed to Group undertakings	1,358,018	1,438,121	1,358,018	1,483,324
Social security and other taxes	45,865	48,901	45,153	48,901
Other payables	13,202	13,594	12,486	13,594
VAT	222,869	243,034	336,773	294,561
Obligations under finance lease and hire purchase contracts	4,450	5,161	4,450	5,161
Accruals and deferred income	166,279	238,553	154,335	236,936
	<u>4,926,774</u>	<u>4,494,632</u>	<u>5,005,327</u>	<u>4,566,624</u>

Further details on liquidity and interest rate risk can be found in note 19.

**18. LEASING AGREEMENTS**

Minimum lease payments under non-cancellable operating leases fall due as follows:

	<b>Group</b>		<b>Company</b>	
	30.6.19	30.6.18	30.6.19	30.6.18
	£	£	£	£
Within one year	102,401	138,067	82,144	84,316
Between two to five years	61,508	147,453	61,508	147,453
	<u>163,909</u>	<u>285,520</u>	<u>143,652</u>	<u>231,769</u>

Operating leases represent rents payable by the Group for its office properties. Leases are negotiated for an average term of five years and rentals are fixed on an average of one year.

**DYNMARK INTERNATIONAL LTD**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Group's activities expose it to a number of financial risks that include credit risk, liquidity risk, currency risk and interest rate risk. These risks and the Group's policies for managing them have been applied consistently during the year and are set out below.

The Group holds no financial or other non-financial instruments other than those utilised in the working operations of the Group and that listed in this note. It's the Group's policy not to trade in derivative contracts.

**Principal financial instruments**

The principal financial instruments used by the Group, from which financial instrument rate risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

**Financial instruments by category**

The following table sets out the financial instruments as at the reporting date:

	<b>Group</b>		<b>Company</b>	
	30.6.19	30.6.18	30.6.19	30.6.18
	£	£	£	£
<b>Financial assets</b>				
Trade and other receivables	1,863,369	2,175,195	2,033,478	2,299,631
Bank balances	<u>1,190,891</u>	<u>1,068,149</u>	<u>1,174,046</u>	<u>1,052,528</u>
	<u>3,054,260</u>	<u>3,243,344</u>	<u>3,207,524</u>	<u>3,352,159</u>
<b>Financial liabilities</b>				
Trade payables	3,116,092	2,507,268	3,094,112	2,484,147
Accrued liabilities and other payables	<u>448,215</u>	<u>544,082</u>	<u>3,427,595</u>	<u>593,992</u>
	<u>3,564,307</u>	<u>3,051,350</u>	<u>6,521,707</u>	<u>3,078,139</u>

The fair value of the financial assets and financial liabilities is equal to their carrying values. All financial assets are categorised as loans and receivables and all financial liabilities are categorised as financial liabilities at amortised costs.

**General objectives, policies and processes**

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's risk committee. The Board receives monthly reports from the Risk Committee through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the company's competitiveness and flexibility. Further details regarding these policies are set out below:

**DYNMARK INTERNATIONAL LTD**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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**Interest rate risk**

The Group's interest rate risk arises from interest-bearing assets and liabilities. The Group has in place a policy of maximising finance income by ensuring that cash balances earn a market rate of interest offsetting where possible cash balances, and by forecasting and financing its working capital requirements. As at the reporting date the Group was not exposed to any movement in interest rates as it has no external borrowings and therefore is not exposed to interest rate risk. No sensitivity analysis has been prepared.

The Group's working capital requirements are managed through regular monitoring of the overall cash position and regularly updated cash flow forecasts to ensure there are sufficient funds available for its operations.

**Liquidity risk**

The Group's working capital requirements are managed through regular monitoring of the overall position and regularly updated cash flow forecasts to ensure there are funds available for its operations. Management forecasts indicate no new borrowing facilities will be required in the upcoming financial period.

Trade and other payables of £4,926,774 (2018: £4,494,632) are expected to mature in less than a year.

**Credit risk**

Credit risk arises principally from the Group's trade receivables which comprise amounts due from customers. Prior to accepting new customers a credit check is obtained. As at 30 June 2019 there were no significant debts past their due period which had not been provided for. The maturity of the Group's trade receivables is as follows:

	30.6.19 £	30.6.18 £
0-30 days	871,469	899,131
30-60 days	467,883	562,245
More than 60 days	<u>99,518</u>	<u>21,880</u>
	<u>1,438,870</u>	<u>1,483,256</u>

The group minimises its credit risk by profiling all new customers and monitoring existing customers of the group for changes in their initial profile. The level of trade receivables older than the average collection period consisted of a value of £567,401 (2018: £584,125) of which £nil (2018: £nil) was provided for. The group felt that the remainder would be collected post year end as they were with long-standing relationships, and the risk of default is considered to be low and write-offs due to bad debts are extremely low. The group has no significant concentration of credit risk, with the exposure spread over a large number of customers.

**DYNMARK INTERNATIONAL LTD**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued**

The credit risk on liquid funds is low as the counterparts are banks with high credit ratings assigned by international credit rating bodies. The majority of the company's cash holdings are held at Barclays Plc which has a BBB+ credit rating.

The carrying value of both financial assets and liabilities approximates to fair value.

**Capital policy**

The group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide optimal returns for shareholders and to maintain an efficient capital structure to reduce the cost of capital.

In doing so the group's strategy is to maintain a capital structure commensurate with a strong credit rating and to retain appropriate levels of liquidity headroom to ensure financial stability and flexibility. To achieve this, the group monitors key credit metrics, risk and fixed charge cover to maintain this position. In addition, the group ensures a combination of appropriate short term and long-term liquidity headroom.

During the year the group had a short-term loan balance of £nil (2016: £nil) and amounts payable over one year are nil (2016: £nil). The group had a strong cash reserve to utilise for any short-term capital requirements that were needed by the group.

**20. DEFERRED TAX**

	30.6.19	30.6.18
	£	£
As at 1 January	51,799	51,799
Current year provision	-	-
	<u>51,799</u>	<u>51,799</u>
The deferred tax liability above comprises the following temporary differences:		
	30.6.19	30.6.18
	£	£
Capital allowances in excess of depreciation	9,724	9,724
Tax losses carried forward	<u>42,075</u>	<u>42,075</u>
	<u>51,799</u>	<u>51,799</u>

Deferred tax provision relates to taxes to be levied by the same authority on the same entity expected to be settled at the same time. As such deferred tax assets and liabilities have been offset.

**21. CAPITAL COMMITMENTS**

The company and group have no capital commitments as at the year end.

**DYNMARK INTERNATIONAL LTD**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**22. RELATED PARTY DISCLOSURES**

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

**Group**

The following transactions were carried out with related parties

			30.6.19 £	30.6.18 £
<b>Sale of services</b>				
Dotdigital EMEA Limited	Fellow subsidiary	Message sends	122,834	16,719
			<u>122,834</u>	<u>16,719</u>
 <b>Purchase of services</b>				
Donky Networks Ltd	Fellow subsidiary	License fees	-	97,058
			<u>-</u>	<u>97,058</u>
 <b>Year end balances arising from sales/purchase of services</b>				
Dotdigital EMEA Limited	Fellow subsidiary	Receivables	128,338	15,063
			<u>128,338</u>	<u>15,063</u>

The receivables and payables are unrestricted in nature and bear no interest. No provisions are held against receivables from related parties.

**Loans to/(from) related parties**

		30.6.19 £	30.6.18 £
<b>Dotdigital EMEA Limited</b>	Fellow subsidiary		
As at 1 Jan/July		(487,621)	-
Loans advanced		(1,683,071)	(490,550)
Loans repaid		1,529,008	2,929
		<u>(641,684)</u>	<u>(487,621)</u>

**DYNMARK INTERNATIONAL LTD**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**22. RELATED PARTY DISCLOSURES (continued...)**

**Loans to/(from) related parties**

		30.6.19 £	30.6.18 £
<b>Dotdigital Group Plc</b>	<b>Parent</b>		
As at 1 Jan/July		(965,563)	-
Loans advanced		-	(987,563)
Loans repaid		<u>274,042</u>	<u>22,000</u>
		<u>(691,521)</u>	<u>(965,563)</u>
		30.6.19 £	30.6.18 £
<b>Donky Networks Ltd</b>	<b>Fellow subsidiary</b>		
As at 1 Jan/July		(3,158,635)	156,916
Loans advanced		33,856	449,024
Loans repaid		(139,803)	(460,827)
Loans written off		<u>3,156,634</u>	<u>(3,303,748)</u>
		<u>(107,948)</u>	<u>(3,158,635)</u>

**Directors**

	30.6.19 £	30.6.18 £
Aggregate emoluments	355,287	387,300
Company contributions to money purchase pension scheme	<u>2,807</u>	<u>658</u>
	<u>358,093</u>	<u>387,958</u>

Information in relation to the highest paid Director is as follows:

	30.6.19 £	30.6.18 £
Salaries	117,087	267,300
Ex-gratia payment	238,200	
Pension costs	<u>2,807</u>	<u>495</u>
	<u>358,094</u>	<u>267,795</u>



**DYNMARK INTERNATIONAL LTD**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2019**

22. **RELATED PARTY DISCLOSURES continued.....**

**Company**

			30.6.19 £	30.6.18 £
<b>Purchase of services</b>				
Dynmark S.p. z.o.o	Subsidiary	Management recharges	<u>433,170</u>	<u>290,373</u>
			<u>433,170</u>	<u>290,373</u>

The receivables and payables are unrestricted in nature and bear no interest. No provisions are held against receivables from related parties.

**Loans to related parties**

			30.6.19 £	30.6.18 £
<b>Dynmark S.p. z.o.o</b>	Subsidiary			
As at 1 July			314,226	62,389
Loans advanced			468,683	600,674
Loans repaid			<u>(437,217)</u>	<u>(348,837)</u>
			<u>345,692</u>	<u>314,226</u>

23. **ULTIMATE CONTROLLING PARTY**

There is no ultimate controlling party of the group. Dotdigital Group PLC acts as the parent company to Dynmark International Ltd, Dynmark s.p. z.o.o.

**DYNMARK INTERNATIONAL LTD**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**24. GROUP RECONCILIATION OF PROFIT BEFORE CORPORATION TAX TO CASH GENERATED FROM OPERATIONS**

	<b>Group</b>		<b>Company</b>	
	Year	Period	Year	Period
	Ended	1.1.17	Ended	1.1.17
	30.6.19	to	30.6.19	to
	£	30.6.18	£	30.6.18
		£		£
<b>Current:</b>				
(Loss)/Profit before income tax	(1,420,695)	(917,715)	(1,436,775)	(819,594)
Currency revaluation	(53,968)	3,284	-	-
Amortisation and depreciation	345,952	100,652	345,952	100,652
Amortisation re transfer of group company	(406,538)	-	(406,538)	-
Transfer of intangible to and from group company	1,819,371	-	1,819,371	-
Finance cost	-	124,055	-	124,055
	<u>284,122</u>	<u>(689,724)</u>	<u>322,010</u>	<u>(594,887)</u>
(Increase)/decrease in trade receivables	311,826	1,349,383	266,153	1,165,097
Increase/(decrease) in trade payables	<u>432,853</u>	<u>2,076,976</u>	<u>439,414</u>	<u>2,150,111</u>
Cash generated from operations	<u><u>1,028,801</u></u>	<u><u>2,736,635</u></u>	<u><u>1,027,577</u></u>	<u><u>2,720,321</u></u>

**25. GROUP CASH AND CASH EQUIVALENTS**

The amounts disclosed in the statement of cash flow in respect of cash and cash equivalents are in respect of these statements of financial position amounts:

	Group £	Company £
As at 31 December 2017	<u>391,447</u>	<u>391,433</u>
As at 30 June 2018	<u>1,068,149</u>	<u>1,052,528</u>
As at 30 June 2019	<u>1,190,891</u>	<u>1,174,046</u>

**26. POST BALANCE SHEET EVENTS**

The occurrence of Covid-19 may have an impact to the financial statements hence the directors are continuously assessing the impact and an initial assessment has been included within the Strategic Report.