

Company Registration No. 09347088 (England and Wales)

iSmash UK Trading Limited

**Annual report and
group financial statements
for the period ended 31 December 2018**



iSmash UK Trading Limited

Company information

Director	Julian Shovlin
Company number	09347088
Registered office	Unit G28 111 Power Road Chiswick London W4 5PY
Independent auditor	Saffery Champness LLP 71 Queen Victoria Street London EC4V 4BE

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Strategic report

For the period ended 31 December 2018

The director presents the strategic report for the Period ended 31 December 2018.

Fair review of the business

During the period the business continued its trajectory of strong growth. The business opened six stores during the accounting period and enjoyed the full year effect of seven other stores that were opened in the year ending 30 September 2017.

The Group's trading results have been as expected, with an operating loss of £2,402,051 (2017: loss of £1,240,211) being generated, an increase of £1,161,840 on last year, and a turnover of £21,080,629 (2017: £10,250,746), an increase of £10,829,883 on last year.

The company has continued to refine its business model during the period with significant efficiencies made in store and head office costs. The business has continued to focus on productivity improvements including multi-skilling in-store teams and up-skilling key support office functions.

Senior management are focused on maximising the performance of the existing store estate through identifying new ways to acquire customers whilst at the same time developing plans for further growth through store expansion and channel partnerships. The company remains the UK's leading tech repair specialist.

Principal risks and uncertainties

The company reviews its risks regularly and considers its current principal risks to be the wider macro economy and the availability of quality parts to perform repairs.

Consumer confidence has deteriorated during 2018 as a result of a number of macro factors, including uncertainty around the outcome of Brexit. The business is dependant on footfall in its stores and online to drive revenue so any significant variances in consumer confidence present a risk to the business. The business seeks to mitigate this risk through its deployment of its flexible in store workforce.

The availability of quality repair parts is important for the business. The business actively works with a number of suppliers to ensure that customer satisfaction is maintained. The business ensures quality is delivered through the use of its in house quality control team.

Development and performance

The development of the business will be through the opening of new stores, both in London and nationwide, as well as through continued development of strategic channel partnerships to drive repair volumes and credibility in the market .

iSmash UK Trading Limited

Strategic report (continued)

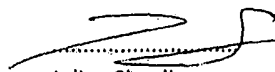
For the period ended 31 December 2018

Key performance indicators

The key KPIs that the business monitors are revenue, gross profit and repair numbers. These are monitored daily.

On a like for like 12 month basis, revenue grew by 50% from £11.5m to £17.3m. Over the same period gross profit increased by 50% to £3.6m. The significant growth in both of these KPIs reflects the rapid growth in store openings during 2017 and 2018. The performance of individual stores is monitored on a store by store basis.

On behalf of the board


.....
Julian Shovlin
Director
19.03.19
.....

iSmash UK Trading Limited

Director's report

For the period ended 31 December 2018

The director presents his annual report and financial statements for the Period ended 31 December 2018.

Principal activities

The principal activity of the company and group continued to be that of repair of communication equipment.

Director

The director who held office during the Period and up to the date of signature of the financial statements was as follows:

Julian Shovlin

Results and dividends

The results for the Period are set out on page 9.

No ordinary dividends were paid. The director does not recommend payment of a further dividend.

Financial instruments

Liquidity risk

The Group manages its cash flows in order to maximise interest income and minimise interest expense, whilst ensuring the Group has enough liquid resources to meet the operating needs of the business.

Interest rate risk

Whilst the Group does not have any debt apart from leased in the normal course of business, the Group will manage its cash and borrowings in the most effective way possible to minimise any actual or potential interest rate cost.

Credit risk

The Group has at present substantial cash surpluses, the use of which must be cleared by the Board but are held wholly and exclusively for the benefit of the Group's operating companies.

Price risk

This is continually evaluated by the Board and management of the Group's companies.

Post reporting date events

No significant events have occurred post the reporting date.

Future developments

The business expects to continue its growth plans and expects to open further stores during the 2019 calendar year.

Auditor

Saffery Champness LLP were appointed as auditor to the group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Director's report (continued)

For the period ended 31 December 2018

Statement of director's responsibilities

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

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

Going concern

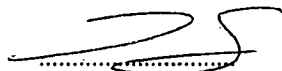
The director acknowledges that the business has been cash consumptive to date, but this position has been driven by the rapid growth of the business. The positive, growing store contribution that the business has developed has driven a considerable increase in the value of the business. Whilst the business is in its development stage, the required investment has resulted in group net liabilities of £4,968,567. The group is currently supported by a loan from its immediate parent of £8,204,071. Of this debt, £6,000,000 is due to be repaid in 2021 and the parent has confirmed it will not call on the remaining £2,204,071 whilst the company is in its current position for up to 12 months from the date of signing these accounts. Given the business growth plans, the director is confident that further funding can be secured by actively seeking investment and support from the parent company shareholders to allow the business to meet its business plan objectives.

iSmash UK Trading Limited

Director's report (continued)

For the period ended 31 December 2018

On behalf of the board



Julian Shovlin

Director

Date:19.03.19.....

Independent auditor's report

To the members of iSmash UK Trading Limited

Opinion

We have audited the financial statements of iSmash UK Trading Limited (the 'parent company') and its subsidiaries (the 'group') for the Period ended 31 December 2018 which comprise the group income statement, the group statement of comprehensive income, the group statement of financial position, the company statement of financial position, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Independent auditor's report (continued)

To the members of iSmash UK Trading Limited

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

iSmash UK Trading Limited

Independent auditor's report (continued)
To the members of iSmash UK Trading Limited

Responsibilities of director

As explained more fully in the director's responsibilities statement, the director is 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 director is responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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


Lucy Brennan (Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP

20/03/2019

Chartered Accountants
Statutory Auditors

71 Queen Victoria Street
London
EC4V 4BE

iSmash UK Trading Limited

Group income statement

For the period ended 31 December 2018

		Period ended 31 December 2018	Year ended 30 September 2017 as restated
	Notes	£	£
Turnover	3	21,080,629	10,250,746
Cost of sales		(8,511,877)	(3,958,224)
Gross profit		12,568,752	6,292,522
Administrative expenses		(14,526,061)	(7,404,770)
Operating loss	4	(1,957,309)	(1,112,248)
Interest payable and similar expenses	7	(444,742)	(127,963)
Loss before taxation		(2,402,051)	(1,240,211)
Tax on loss	8	-	-
Loss for the financial Period		(2,402,051)	(1,240,211)

Loss for the financial Period is all attributable to the owner of the parent company.

iSmash UK Trading Limited

**Group statement of comprehensive income
For the period ended 31 December 2018**

	Period ended 31 December 2018 £	Year ended 30 September 2017 £
Loss for the Period	(2,402,051)	(1,240,211)
Other comprehensive income	-	-
Total comprehensive income for the Period	<u>(2,402,051)</u>	<u>(1,240,211)</u>

Total comprehensive income for the Period is all attributable to the owners of the parent company.

iSmash UK Trading Limited

Group statement of financial position
As at 31 December 2018

		2018		2017 as restated	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	9		149,639		98,774
Tangible assets	10		2,938,282		2,360,361
			<u>3,087,921</u>		<u>2,459,135</u>
Current assets					
Stocks	14	1,249,571		1,979,441	
Debtors	15	1,651,145		1,381,025	
Cash at bank and in hand		132,754		387,425	
		<u>3,033,470</u>		<u>3,747,891</u>	
Creditors: amounts falling due within one year	16	(5,080,573)		(5,051,702)	
Net current liabilities			(2,047,103)		(1,303,811)
Total assets less current liabilities			<u>1,040,818</u>		<u>1,155,324</u>
Creditors: amounts falling due after more than one year	17		(6,000,000)		(4,784,852)
Net liabilities			<u>(4,959,182)</u>		<u>(3,629,528)</u>
Capital and reserves					
Called up share capital	20		1,072,398		1
Profit and loss reserves			(6,031,580)		(3,629,529)
Total equity			<u>(4,959,182)</u>		<u>(3,629,528)</u>

The financial statements were approved and signed by the director and authorised for issue on 19.03.19


Julian Shovlin
Director

Company Registration No. 09347088

iSmash UK Trading Limited

Company statement of financial position
As at 31 December 2018

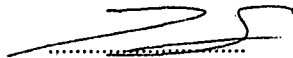
		2018		2017 as restated	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	9		149,639		98,774
Tangible assets	10		2,767,546		2,146,633
Investments	11		1,072,400		3
			<u>3,989,585</u>		<u>2,245,410</u>
Current assets					
Stocks	14	1,249,571		1,979,441	
Debtors	15	1,827,294		1,628,803	
Cash at bank and in hand		131,952		382,028	
		<u>3,208,817</u>		<u>3,990,272</u>	
Creditors: amounts falling due within one year	16	(5,239,409)		(4,163,884)	
Net current liabilities			<u>(2,030,592)</u>		<u>(173,612)</u>
Total assets less current liabilities			<u>1,958,993</u>		<u>2,071,798</u>
Creditors: amounts falling due after more than one year	17		(6,000,000)		(4,784,852)
Net liabilities			<u>(4,041,007)</u>		<u>(2,713,054)</u>
Capital and reserves					
Called up share capital	20		1,072,398		1
Profit and loss reserves			(5,113,405)		(2,713,055)
Total equity			<u>(4,041,007)</u>		<u>(2,713,054)</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £2,400,350 (2017 - £1,238,387 loss).

iSmash UK Trading Limited

Company statement of financial position (continued)
As at 31 December 2018

The financial statements were approved and signed by the director and authorised for issue on 19.03.19



Julian Shovlin
Director

Company Registration No. 09347088

iSmash UK Trading Limited

Group statement of changes in equity
For the period ended 31 December 2018

	Notes	Share capital £	Profit and loss reserves £	Total £
As restated for the year ended 30 September 2017:				
Balance at 1 October 2016		1	(2,389,318)	(2,389,317)
Period ended 30 September 2017:				
Loss and total comprehensive income for the period		-	(1,240,211)	(1,240,211)
Balance at 30 September 2017		1	(3,629,529)	(3,629,528)
Period ended 31 December 2018:				
Loss and total comprehensive income for the period		-	(2,402,051)	(2,402,051)
Issue of share capital	20	1,072,397	-	1,072,397
Balance at 31 December 2018		1,072,398	(6,031,580)	(4,959,182)

iSmash UK Trading Limited

Company statement of changes in equity
For the period ended 31 December 2018

	Notes	Share capital £	Profit and loss reserves £	Total £
As restated for the year ended 30 September 2017:				
Balance at 1 October 2016		1	(1,474,668)	(1,474,667)
Period ended 30 September 2017:				
Loss and total comprehensive income for the period		-	(1,238,387)	(1,238,387)
Balance at 30 September 2017		1	(2,713,055)	(2,713,054)
Period ended 31 December 2018:				
Loss and total comprehensive income for the period		-	(2,400,350)	(2,400,350)
Issue of share capital	20	1,072,397	-	1,072,397
Balance at 31 December 2018		1,072,398	(5,113,405)	(4,041,007)

iSmash UK Trading Limited

Group statement of cash flows

For the period ended 31 December 2018

			2018		2017
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	25		1,255,652		4,871,783
Interest paid			(99,142)		(24,676)
Income taxes paid			(20,312)		-
Net cash inflow from operating activities			<u>1,136,198</u>		<u>4,847,107</u>
Investing activities					
Purchase of intangible assets		(73,935)		(81,901)	
Purchase of tangible fixed assets		(1,184,779)		(1,297,661)	
Proceeds on disposal of tangible fixed assets		32,807		-	
Proceeds from other investments and loans		(164,962)		(62,500)	
Net cash used in investing activities			<u>(1,390,869)</u>		<u>(1,442,062)</u>
Financing activities					
Repayment of borrowings		-		(3,070,015)	
Net cash used in financing activities			<u>-</u>		<u>(3,070,015)</u>
Net (decrease)/increase in cash and cash equivalents			<u>(254,671)</u>		<u>335,030</u>
Cash and cash equivalents at beginning of Period			387,425		52,395
Cash and cash equivalents at end of Period			<u><u>132,754</u></u>		<u><u>387,425</u></u>

iSmash UK Trading Limited

Company statement of cash flows

For the period ended 31 December 2018

	Notes	£	2018 £	£	2017 £
Cash flows from operating activities					
Cash generated from operations	26		1,260,247		4,866,642
Interest paid			(99,142)		(24,684)
Income taxes paid			(20,312)		-
Net cash inflow from operating activities			1,140,793		4,841,958
Investing activities					
Purchase of intangible assets		(73,935)		(81,901)	
Purchase of tangible fixed assets		(1,184,779)		(1,297,661)	
Proceeds on disposal of tangible fixed assets		32,807		-	
Proceeds from other investments and loans		(164,962)		(62,500)	
Net cash used in investing activities			(1,390,869)		(1,442,062)
Financing activities					
Repayment of borrowings		-		(3,070,015)	
Net cash used in financing activities			-		(3,070,015)
Net (decrease)/increase in cash and cash equivalents			(250,076)		329,881
Cash and cash equivalents at beginning of Period			382,028		52,147
Cash and cash equivalents at end of Period			131,952		382,028

1 Accounting policies

Company information

iSmash UK Trading Limited ("the company") is a private limited company incorporated in England and Wales. The registered office is Unit G28, 111 Power Road, Chiswick, London, W4 5PY.

The group consists of iSmash UK Trading Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

The group financial statements incorporate those of iSmash UK Trading Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2018. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Notes to the financial statements (continued)
For the period ended 31 December 2018

1 Accounting policies (continued)

1.3 Going concern

The directors acknowledge the company is in a net liability position due to investment in the company's growth to date. As described in the director's report on page 3 the group has the support of its parent company and the director has an expectation that further funds will be available in order to continue the groups growth plans. As a result, the director continues to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Reporting period

The accounts prepared are for the 15 month period ending on 31 December 2018. The longer period of accounts was used in order to align reporting year ends within the wider group. Comparative amounts presented in the financial statements (including related notes) are for the year to 30 September 2017 and are therefore not entirely comparable.

1.5 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.6 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.7 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably.

Notes to the financial statements (continued)
For the period ended 31 December 2018

1 Accounting policies (continued)

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Website	3 or 10 years straight line
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1.8 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	10 years straight line
Fixtures and fittings	3 or 5 years straight line
Computers	3 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.9 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Notes to the financial statements (continued)
For the period ended 31 December 2018

1 Accounting policies (continued)

1.10 Impairment of fixed assets

At each reporting period end 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 it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

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

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

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

1.11 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.12 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Notes to the financial statements (continued)
For the period ended 31 December 2018

1 Accounting policies (continued)

1.13 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

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

Notes to the financial statements (continued)
For the period ended 31 December 2018

1 Accounting policies (continued)

1.14 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.16 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.17 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.18 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the director is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Stock is carried at the lower of cost and net realisable value. The net realisable value of stock is estimated using the ageing profile of the stock on hand, historical sales patterns and post year end trading patterns.

Notes to the financial statements (continued)
For the period ended 31 December 2018

3 Turnover and other revenue

	2018 £	2017 £
Turnover analysed by class of business		
	21,080,629	10,250,746

	2018 £	2017 £
Turnover analysed by geographical market		
United Kingdom	21,080,629	10,250,746

4 Operating loss

	2018 £	2017 £
Operating loss for the period is stated after charging/(crediting):		
Exchange (gains)/losses	(7,372)	31,168
Research and development costs	2,842	-
Depreciation of owned tangible fixed assets	574,051	252,861
Amortisation of intangible assets	23,070	8,632
Cost of stocks recognised as an expense	8,046,186	3,932,059
Stocks impairment losses recognised or reversed	465,691	26,165
Operating lease charges	4,124	-

Exchange differences recognised in profit or loss during the Period, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £7,372 (2017 - £31,168).

Notes to the financial statements (continued)
For the period ended 31 December 2018

5 Auditor's remuneration

	2018	2017
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	35,690	-
Audit of the financial statements of the company's subsidiaries	7,500	-
	<u>43,190</u>	<u>-</u>
For other services		
Taxation compliance services	6,470	4,750
All other non-audit services	20,073	28,180
	<u>26,543</u>	<u>32,930</u>

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the Period was:

	Group 2018 Number	2017 Number	Company 2018 Number	2017 Number
Average number of employees	<u>170</u>	<u>120</u>	<u>170</u>	<u>120</u>

Their aggregate remuneration comprised:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Wages and salaries	7,056,876	3,175,397	7,056,876	3,175,397
Social security costs	646,535	289,796	646,535	289,796
Pension costs	122,110	-	122,110	-
	<u>7,825,521</u>	<u>3,465,193</u>	<u>7,825,521</u>	<u>3,465,193</u>

Notes to the financial statements (continued)
For the period ended 31 December 2018

7 Interest payable and similar expenses

	2018	2017
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	359,519	127,963
Other finance costs:		
Other interest	85,223	-
Total finance costs	<u>444,742</u>	<u>127,963</u>

8 Taxation

The actual charge for the Period can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2018	2017
	£	£
Loss before taxation	(2,402,051)	(1,240,211)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.00%)	(456,390)	(235,640)
Unutilised tax losses carried forward	456,390	235,640
Taxation charge	<u>-</u>	<u>-</u>

9 Intangible fixed assets

Group	Website
	£
Cost	
At 1 October 2017	113,672
Additions - separately acquired	73,935
At 31 December 2018	<u>187,607</u>
Amortisation and impairment	
At 1 October 2017	14,898
Amortisation charged for the Period	23,070
At 31 December 2018	<u>37,968</u>

Notes to the financial statements (continued)
For the period ended 31 December 2018

9 Intangible fixed assets (continued)

Carrying amount

At 31 December 2018 149,639

At 30 September 2017 98,774

Company

Website
£

Cost

At 1 October 2017 113,672

Additions - separately acquired 73,935

At 31 December 2018 187,607

Amortisation and impairment

At 1 October 2017 14,898

Amortisation charged for the Period 23,070

At 31 December 2018 37,968

Carrying amount

At 31 December 2018 149,639

At 30 September 2017 98,774

Notes to the financial statements (continued)
For the period ended 31 December 2018

10 Tangible fixed assets

Group	Leasehold land and buildings	Fixtures and fittings	Computers	Total
	£	£	£	£
Cost				
At 1 October 2017	2,199,555	574,710	83,154	2,857,419
Additions	981,396	173,468	29,915	1,184,779
Disposals	(31,567)	(75)	(2,060)	(33,702)
At 31 December 2018	3,149,384	748,103	111,009	4,008,496
Depreciation and impairment				
At 1 October 2017	310,778	144,374	41,906	497,058
Depreciation charged in the Period	375,385	167,833	30,833	574,051
Eliminated in respect of disposals	-	(16)	(879)	(895)
At 31 December 2018	686,163	312,191	71,860	1,070,214
Carrying amount				
At 31 December 2018	2,463,221	435,912	39,149	2,938,282
At 30 September 2017	1,888,777	430,336	41,248	2,360,361

Notes to the financial statements (continued)
For the period ended 31 December 2018

10 Tangible fixed assets (continued)

Company	Leasehold land and buildings	Fixtures and fittings	Computers	Total
	£	£	£	£
Cost				
At 1 October 2017	1,860,413	574,710	83,154	2,518,277
Additions	981,396	173,468	29,915	1,184,779
Disposals	(31,567)	(75)	(2,060)	(33,702)
At 31 December 2018	2,810,242	748,103	111,009	3,669,354
Depreciation and impairment				
At 1 October 2017	185,364	144,374	41,906	371,644
Depreciation charged in the Period	332,393	167,833	30,833	531,059
Eliminated in respect of disposals	-	(16)	(879)	(895)
At 31 December 2018	517,757	312,191	71,860	901,808
Carrying amount				
At 31 December 2018	2,292,485	435,912	39,149	2,767,546
At 30 September 2017	1,675,049	430,336	41,248	2,146,633

11 Fixed asset investments

		Group 2018	2017	Company 2018	2017
	Notes	£	£	£	£
Investments in subsidiaries	12	-	-	1,072,400	3

Notes to the financial statements (continued)
For the period ended 31 December 2018

11 Fixed asset investments (continued)

Movements in fixed asset investments Company

Shares in group undertakings

	£
Cost or valuation	
At 1 October 2017	3
	1,072,397
At 31 December 2018	1,072,400
Carrying amount	
At 31 December 2018	1,072,400
At 30 September 2017	3

12 Subsidiaries

Details of the company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Ismash Canary Wharf Limited	United Kingdom	Communication device repair services	Ordinary	100.00	
Ismash Limited	United Kingdom	Communication device repair service	Ordinary	100.00	
Ismash Ken High Limited	United Kingdom	Communication device repair services	Ordinary	100.00	

13 Financial instruments

	Group 2018 £	2017 £	Company 2018 £	2017 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	1,031,532	811,802	1,227,931	1,059,580
Carrying amount of financial liabilities				
Measured at amortised cost	10,093,673	9,590,737	10,252,509	8,702,919

Notes to the financial statements (continued)
For the period ended 31 December 2018

14 Stocks

	Group 2018 £	2017 £	Company 2018 £	2017 £
Finished goods and goods for resale	1,249,571	1,979,441	1,249,571	1,979,441

15 Debtors

	Group 2018 £	2017 £	Company 2018 £	2017 £
Amounts falling due within one year:				
Trade debtors	216,607	270,572	216,608	270,572
Corporation tax recoverable	73,925	-	73,925	-
Other debtors	811,175	541,230	1,011,323	789,008
Prepayments and accrued income	549,438	569,223	525,438	569,223
	1,651,145	1,381,025	1,827,294	1,628,803

16 Creditors: amounts falling due within one year

	Group 2018 £	2017 £	Company 2018 £	2017 £
Trade creditors	844,471	864,707	844,471	864,707
Amounts owed to group undertakings	2,204,071	2,203,982	2,204,071	2,204,076
Corporation tax payable	53,613	-	53,613	-
Other taxation and social security	933,287	245,817	933,287	245,817
Other creditors	520,753	1,218,674	698,794	344,517
Accruals and deferred income	524,378	518,522	505,173	504,767
	5,080,573	5,051,702	5,239,409	4,163,884

Notes to the financial statements (continued)
For the period ended 31 December 2018

17 Creditors: amounts falling due after more than one year

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Other creditors	6,000,000	4,784,852	6,000,000	4,784,852

The above amounts due to parent is in respect of a loan from iSmash Group on which interest is charged at 4%. It is due to be repaid in 2021.

18 Retirement benefit schemes

	2018	2017
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	122,110	-

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

19 Share-based payment transactions

The parent company has a share based option scheme for certain employees employed by iSmash UK Trading Limited.

Options are exercisable at a price equal to the estimated fair value of the company's shares on the date of the grant. The vesting period is nine years and the options can be exercised on an exit or on the ninth anniversary of the grant date. Options are forfeited if the employee leaves the company before the options vest.

1,300 share options were granted during the period at a weighted average exercise price of 0.001p.

The fair value of the share options at the grant date was calculated using the Black Scholes model, which is considered to be the most appropriate generally accepted valuation method of measuring fair value. As a result of this calculation management have not recognised a share-based payment expense.

Notes to the financial statements (continued)
For the period ended 31 December 2018

20 Share capital

	Group and company	
	2018	2017
	£	£
Ordinary share capital		
Issued and fully paid		
1,072,398 Ordinary share of £1 each	1,072,398	1

During the year on 18 December 2018, 1,072,397 shares were issued at a nominal value of £1 per share.

21 Operating lease commitments**Lessee**

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Within one year	1,818,292	1,177,883	1,593,292	952,883
Between two and five years	5,370,925	3,417,246	4,602,226	2,742,246
In over five years	5,478,844	4,794,549	5,417,940	4,358,562
	<u>12,668,061</u>	<u>9,389,678</u>	<u>11,613,458</u>	<u>8,053,691</u>

22 Related party transactions

The Director, COO and Finance Director are considered to be key management personnel. The total compensation of key management personnel during the period was £510,464 (2017: £95,385).

The company has taken advantage of the exemption in FRS102 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

Notes to the financial statements (continued)
For the period ended 31 December 2018

23 Directors' transactions

Transactions in relation to loans with directors during the year are outlined in the table below:

Description	% Rate	Opening balance £	Amounts advanced £	Amounts repaid £	Closing balance £
Directors loan	-	62,500	164,992	(30)	227,462
		<u>62,500</u>	<u>164,992</u>	<u>(30)</u>	<u>227,462</u>

24 Controlling party

The parent company of iSmash UK Trading Ltd is iSmash Group Ltd and its registered office is Geneva Place, Waterfront Drive, P.O Box 3469, Road Town, Tortola, British Virgin Islands.

There is no ultimate controlling party.

25 Cash generated from group operations

	2018 £	2017 £
Loss for the Period after tax	(2,402,051)	(1,240,211)
Adjustments for:		
Finance costs	444,742	127,963
Amortisation and impairment of intangible assets	23,070	8,632
Depreciation and impairment of tangible fixed assets	574,051	252,861
Non cash issue of shares	1,072,397	-
Movements in working capital:		
Decrease/(increase) in stocks	729,870	(833,886)
(Increase) in debtors	(31,233)	(525,780)
Increase in creditors	844,806	7,082,204
Cash generated from operations	<u>1,255,652</u>	<u>4,871,783</u>

Notes to the financial statements (continued)
For the period ended 31 December 2018

26 Cash generated from operations - company

	2018	2017
	£	£
Loss for the Period after tax	(2,400,350)	(1,238,387)
Adjustments for:		
Finance costs	444,742	127,963
Amortisation and impairment of intangible assets	23,070	8,632
Depreciation and impairment of tangible fixed assets	531,059	220,447
Movements in working capital:		
Decrease/(increase) in stocks	729,870	(833,886)
Decrease/(increase) in debtors	40,396	(498,670)
Increase in creditors	1,891,460	7,080,543
Cash generated from operations	1,260,247	4,866,642

27 Prior period adjustment

In iSmash UK Trading Limited (the company) the accruals relating to the rent free periods included in the operating leases were reviewed and recalculated. A rent free accrual of £411,131 has been provided for in 2018 (2017: £312,531). In addition a stock write off has occurred to removed an element of stock which was double counted in the prior year.

Reconciliation of changes in equity - group

	1 October 2016	30 September 2017
	£	£
Equity as previously reported	(2,389,100)	(3,452,523)
Adjustments to prior Period		
Rental accrual relating to rent free periods	-	(150,621)
Stock write off	-	(26,165)
Additional deprecation on SDLT element of lease	-	(219)
Equity as adjusted	(2,389,100)	(3,629,528)

Notes to the financial statements (continued)
For the period ended 31 December 2018

27 Prior period adjustment (continued)

Reconciliation of changes in loss for the previous financial period

	2017 £
Loss as previously reported	(1,063,425)
Adjustments to prior Period	
Rental accrual relating to rent free periods	(150,621)
Stock write off	(26,165)
Loss as adjusted	<u>(1,240,211)</u>

Reconciliation of changes in equity - company

	1 October 2016 £	30 September 2017 £
Equity as previously reported	(1,474,667)	(2,536,268)
Adjustments to prior Period		
Rent free period	-	(150,621)
Stock write off	-	(26,165)
Equity as adjusted	<u>(1,474,667)</u>	<u>(2,713,054)</u>

Reconciliation of changes in loss for the previous financial period

	2017 £
Loss as previously reported	(1,061,601)
Adjustments to prior Period	
Rent free period	(150,621)
Stock write off	(26,165)
Loss as adjusted	<u>(1,238,387)</u>