

Company Registration No. 09347088 (England and Wales)

iSmash UK Trading Limited

**Annual report and
group financial statements
for the period ended 31 December 2019**

iSmash UK Trading Limited

Company information

Directors	Julian Shovlin	
	Dermot O'rourke	(Appointed 11 November 2019)
	Richard Walker	(Appointed 11 November 2019)
	Fiona Hornsby	(Appointed 11 November 2019)
	Christopher Murton	(Appointed 11 November 2019)
	Elizabeth Wynn	(Appointed 11 November 2019)

Company number 09347088

Registered office Suite 3.08
20 Procter Street
London
WC1V 6NX

Independent auditor Saffery Champness LLP
71 Queen Victoria Street
London
EC4V 4BE

iSmash UK Trading Limited

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iSmash UK Trading Limited

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iSmash UK Trading Limited

Strategic report

For the period ended 31 December 2019

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

Fair review of the business

iSmash continued to develop rapidly during the year under review. The business completed a significant transaction in September 2019, which resulted in Sky UK Limited purchasing a minority stake in the business. The proceeds of this investment were used to strengthen the company balance sheet, pay down long term loan facilities and will enable both businesses to explore future growth opportunities with Sky where they are relevant. The transaction also provides iSmash with access to advertising services from Sky which we anticipate will help drive revenue growth in the future.

The business opened a new site at London Bridge Station during the year, this site has performed ahead of expectations.

The business also focused on developing its channel partnerships and as a result forged and strengthen a number of relationships with original equipment manufacturers and mobile insurance administrators which will contribute to the future growth of the business.

The company made an operating loss of £1,306k during the year, this was a positive step forward on 2018 when the business lost £1,956k. This reflects further efficiencies delivered through our store cost base, as well as a focus on head office costs. The learnings made during 2019 are of material benefit to the company as we believe the savings will be achievable in future years.

Impact of Covid-19

Like most retail business in the UK, iSmash face into a significant headwind as a result of the Coronavirus pandemic. The business was forced to close all its stores as a result of the Government mandated lockdown.

Notwithstanding the sudden shock to the business of the pandemic, we have seen steady growth since re-opening, although our trading performance continues to underperform versus 2019.

At the point of writing this report a further government mandated lockdown has been imposed, and whilst iSmash has been able to maintain retail presence through its 'Drop and Go' repair service across most of its stores, a decline in overall retail footfall has been a challenge.

Nevertheless, we believe that the company is in a strong position to recover in the mid-term, and can outperform the traditional retail sector given that iSmash is a needs based service business which acquires a significant proportion of its customer online before servicing them in store. There are a number of tailwinds that give us cautious optimism for the future:

1. The Company has availed itself of significant amounts of Government Support via the Coronavirus Job Retention Scheme, rates relief and via council grants for smaller rateable properties. These have delivered a large cash injection into the business.
2. The Company has been able to quickly adapt its service to allow for socially distanced repairs via post in, which saw very strong growth during the lockdown period.
3. The Company is able to flex its cost base to demand via store staffing levels, this will enable us to adapt in real time to changes in demand.
4. The company has negotiated rent concession in response to the impact of the lockdown period and is in the process of negotiating to bring base rents in line with the market for 2021 and beyond.
5. The company has several other cost reduction and gross profit generating initiatives which the management team are in the process of delivering.

Principal Risks and Uncertainties

The company reviews its risks regularly and considers its principal risks to be the wider macro economy and the continued changes in the retail environment as a result of the coronavirus pandemic.

The macro economy and the coronavirus situation will be inextricably entwined for the foreseeable future. The business is able to adapt well to changes in consumer behaviour. We do not anticipate a reduction in demand in the market over the mid to long term and we are well placed to adapt to changing customer behaviours.

Key performance indicators

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

Revenue fell during the year by £5,279k, however improvements in revenue quality and gross profit margin meant that gross profit was down by only £2,579k. The fall in revenue and gross profit was largely driven by the company's inability to invest in Google pay-per-click advertising due to Google's globally policy change preventing all businesses offering 'third-party consumer technical support' from advertising on their search platform. This has resulted in a drop in online repair bookings but also a significant reduction in marketing spend.

Outlook

iSmash believe that the ongoing uncertainty caused by the Coronavirus pandemic will in the mid-term continue to affect consumer confidence and behaviours and will likely impact our trading performance, nevertheless we remain optimistic for the future.

The recent investment by Sky UK Limited into the business, has provided services, which will soon allow iSmash to embark on its first TV advertising campaign, reaching millions of consumers, increasing awareness of the brand and the services we provide. This investment, along with the work already undertaken to forge stronger relationships with large insurance administrators, as well as the introduction of two new retail stores, provides a strong base for growth.

Despite future optimism, we predict trade will continue to be adversely impacted in the short term. As a result, we have taken action to make further efficiency savings across our business to right-size our cost base and conserve cash.

On behalf of the board

Julian Shovlin

Director

3 December 2020

iSmash UK Trading Limited

Directors' report

For the period ended 31 December 2019

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

Principal activities

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

Directors

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

Julian Shovlin	
Dermot O'rourke	(Appointed 11 November 2019)
Richard Walker	(Appointed 11 November 2019)
Fiona Hornsby	(Appointed 11 November 2019)
Susanna Winkler	(Appointed 11 November 2019 and resigned 2 November 2020)
Christopher Murton	(Appointed 11 November 2019)
Carli Farmer	(Appointed 11 November 2019 and resigned 8 October 2020)
Edward Fry	(Appointed 11 November 2019 and resigned 10 June 2020)
Elizabeth Wynn	(Appointed 11 November 2019)

Results and dividends

The results for the Period are set out on page 10.

No ordinary dividends were paid. The directors do 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 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.

iSmash UK Trading Limited

Directors' report (continued)

For the period ended 31 December 2019

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 2020 calendar year.

Auditor

In accordance with the company's articles, a resolution proposing that Saffery Champness LLP be reappointed as auditor of the group will be put at a General Meeting.

Statement of directors' responsibilities

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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. They are 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.

iSmash UK Trading Limited

Directors' report (continued)

For the period ended 31 December 2019

Going concern

Despite future optimism, iSmash is forecasting that trade will continue to be adversely impacted over the short term due to the exceptional circumstances caused by the global pandemic. Whilst action has been taken to make further efficiency savings across our business to right-size our cost base and conserve cash, additional funds will be provided from the parent company shareholders to support working capital over the following 12 months, allowing the business to meet its business plan objectives as it continues through the growth plan.

Following receipt of letters of support from the parent company shareholders, the directors believe that iSmash has adequate resources to continue in operational existence .

On behalf of the board

Julian Shovlin

Director

3 December 2020

iSmash UK Trading Limited

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 2019 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 2019 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

iSmash UK Trading Limited

Independent auditor's report (continued)

To the members of iSmash UK Trading Limited

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial period 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 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 directors' 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 directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

9 December 2020

Chartered Accountants
Statutory Auditors

71 Queen Victoria Street
London
EC4V 4BE

iSmash UK Trading Limited

Group income statement

For the period ended 31 December 2019

		Year ended 31 December 2019 £	Period ended 31 December 2018 £
	Notes		
Turnover	3	15,801,760	21,080,629
Cost of sales		(5,812,101)	(8,511,877)
Gross profit		<u>9,989,659</u>	<u>12,568,752</u>
Administrative expenses		(11,296,075)	(14,526,061)
Operating loss	4	<u>(1,306,416)</u>	<u>(1,957,309)</u>
Interest payable and similar expenses	7	(439,690)	(444,742)
Other gains and losses	8	(310,394)	-
Loss before taxation		<u>(2,056,500)</u>	<u>(2,402,051)</u>
Tax on loss	9	-	-
Loss for the financial Period		<u><u>(2,056,500)</u></u>	<u><u>(2,402,051)</u></u>

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 2019

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Loss for the Period	(2,056,500)	(2,402,051)
Other comprehensive income	-	-
	<hr/>	<hr/>
Total comprehensive income for the Period	(2,056,500)	(2,402,051)
	<hr/> <hr/>	<hr/> <hr/>

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 2019

	Notes	£	2019 £	2018 £
Fixed assets				
Intangible assets	10		158,666	149,639
Tangible assets	11		2,589,916	2,938,282
			<u>2,748,582</u>	<u>3,087,921</u>
Current assets				
Stocks	15	1,707,725	1,249,571	
Debtors	16	6,223,451	1,651,145	
Cash at bank and in hand		266,240	132,754	
		<u>8,197,416</u>	<u>3,033,470</u>	
Creditors: amounts falling due within one year	17	(12,438,054)	(5,080,573)	
Net current liabilities			<u>(4,240,638)</u>	<u>(2,047,103)</u>
Total assets less current liabilities			<u>(1,492,056)</u>	<u>1,040,818</u>
Creditors: amounts falling due after more than one year	18	(5,523,514)	(6,000,000)	
Net liabilities			<u>(7,015,570)</u>	<u>(4,959,182)</u>
Capital and reserves				
Called up share capital	21		1,072,509	1,072,398
Profit and loss reserves			(8,088,079)	(6,031,580)
Total equity			<u>(7,015,570)</u>	<u>(4,959,182)</u>

The financial statements were approved by the board of directors and authorised for issue on 3 December 2020 and are signed on its behalf by:

Julian Shovlin
Director

iSmash UK Trading Limited

Company statement of financial position
As at 31 December 2019

			2019	2018
	Notes	£	£	£
Fixed assets				
Intangible assets	10		158,666	149,639
Tangible assets	11		2,453,555	2,767,546
Investments	12		61,656	1,072,400
			<u>2,673,877</u>	<u>3,989,585</u>
Current assets				
Stocks	15	1,707,725		1,249,571
Debtors	16	6,371,765		1,827,294
Cash at bank and in hand		265,921		131,952
		<u>8,345,411</u>	<u>3,208,817</u>	
Creditors: amounts falling due within one year	17	(12,603,914)	(5,239,409)	
Net current liabilities			<u>(4,258,503)</u>	<u>(2,030,592)</u>
Total assets less current liabilities			<u>(1,584,626)</u>	<u>1,958,993</u>
Creditors: amounts falling due after more than one year	18	(5,523,514)		(6,000,000)
Net liabilities			<u>(7,108,140)</u>	<u>(4,041,007)</u>
Capital and reserves				
Called up share capital	21		1,072,509	1,072,398
Profit and loss reserves			(8,180,649)	(5,113,405)
Total equity			<u>(7,108,140)</u>	<u>(4,041,007)</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 £3,067,244 (2018 - £2,400,350 loss).

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

iSmash UK Trading Limited

Company statement of financial position (continued)

As at 31 December 2019

The financial statements were approved by the board of directors and authorised for issue on 3 December 2020 and are signed on its behalf by:

Julian Shovlin

Director

Company Registration No. 09347088

iSmash UK Trading Limited

Group statement of changes in equity
For the period ended 31 December 2019

		Share capital	Profit and loss reserves	Total
	Notes	£	£	£
Balance at 1 October 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	21	1,072,397	-	1,072,397
Balance at 31 December 2018		1,072,398	(6,031,580)	(4,959,182)
Period ended 31 December 2019:				
Loss and total comprehensive income for the period		-	(2,056,500)	(2,056,500)
Issue of share capital	21	111	-	111
Balance at 31 December 2019		1,072,509	(8,088,080)	(7,015,571)

iSmash UK Trading Limited

Company statement of changes in equity
For the period ended 31 December 2019

		Share capital	Profit and loss reserves	Total
	Notes	£	£	£
Balance at 1 October 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	21	1,072,397	-	1,072,397
Balance at 31 December 2018		1,072,398	(5,113,405)	(4,041,007)
Period ended 31 December 2019:				
Loss and total comprehensive income for the period		-	(3,067,244)	(3,067,244)
Issue of share capital	21	111	-	111
Balance at 31 December 2019		1,072,509	(8,180,649)	(7,108,140)

iSmash UK Trading Limited

Group statement of cash flows

For the period ended 31 December 2019

		2019	2018
	Notes	£	£
Cash flows from operating activities			
Cash generated from operations	26	952,180	1,255,652
Interest paid		(594,500)	(99,142)
Income taxes paid		-	(20,312)
Net cash inflow from operating activities		357,680	1,136,198
Investing activities			
Purchase of intangible assets		(32,003)	(73,935)
Purchase of tangible fixed assets		(151,854)	(1,184,779)
Proceeds on disposal of tangible fixed assets		28,870	32,807
Proceeds on disposal of fixed asset investments		(281,523)	-
Proceeds from other investments and loans		198,591	(164,962)
Net cash used in investing activities		(237,919)	(1,390,869)
Financing activities			
Repayment of borrowings		13,500	-
Net cash generated from/(used in) financing activities		13,500	-
Net increase/(decrease) in cash and cash equivalents		133,261	(254,671)
Cash and cash equivalents at beginning of Period		132,754	387,425
Cash and cash equivalents at end of Period		266,015	132,754
Relating to:			
Cash at bank and in hand		266,240	132,754
Bank overdrafts included in creditors payable within one year		(225)	-

iSmash UK Trading Limited

Company statement of cash flows
For the period ended 31 December 2019

		2019	2018
	Notes	£	£
Cash flows from operating activities			
Cash generated from operations	27	952,888	1,260,247
Interest paid		(594,500)	(99,142)
Income taxes paid		-	(20,312)
Net cash inflow from operating activities		<u>358,388</u>	<u>1,140,793</u>
Investing activities			
Purchase of intangible assets		(32,003)	(73,935)
Purchase of tangible fixed assets		(151,854)	(1,184,779)
Proceeds on disposal of tangible fixed assets		28,870	32,807
Proceeds on disposal of fixed asset investments		(281,523)	-
Proceeds from other investments and loans		198,591	(164,962)
Net cash used in investing activities		<u>(237,919)</u>	<u>(1,390,869)</u>
Financing activities			
Repayment of borrowings		13,500	-
Net cash generated from/(used in) financing activities		<u>13,500</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		<u>133,969</u>	<u>(250,076)</u>
Cash and cash equivalents at beginning of Period		131,952	382,028
Cash and cash equivalents at end of Period		<u><u>265,921</u></u>	<u><u>131,952</u></u>

iSmash UK Trading Limited

Notes to the financial statements

For the period ended 31 December 2019

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 Suite 3.08, 20 Procter Street, London, WC1V 6NX.

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.

The group follows a 4-4-5 accounting calendar, as such the financial statements are prepared to 5 January 2020.

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 2019. 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 2019

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 directors' report on page 6 the group has the support of its parent company shareholders and the director's have an expectation that further funds will be available in order to continue the groups growth plans. As a result, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Reporting period

The accounts prepared for the year ending 31 December 2019. The previous accounting period was for the 15 month period ending on 31 December 2018. The longer period of accounts was used in the previous period in order to align reporting year ends within the wider group. Comparative amounts presented in the financial statements (including related notes) are for the period to 30 September 2018 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; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Notes to the financial statements (continued)

For the period ended 31 December 2019

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
---------	-----------------------------

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.

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 and cash equivalents 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 2019

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 2019

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 profit or loss 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 leased 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 directors are 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.

iSmash UK Trading Limited

Notes to the financial statements (continued)

For the period ended 31 December 2019

3 Turnover and other revenue

	2019	2018
	£	£
Turnover analysed by class of business		
	15,801,760	21,080,629
	<u>15,801,760</u>	<u>21,080,629</u>

	2019	2018
	£	£
Turnover analysed by geographical market		
United Kingdom	15,801,760	21,080,629
	<u>15,801,760</u>	<u>21,080,629</u>

4 Operating loss

	2019	2018
	£	£
Operating loss for the period is stated after charging/(crediting):		
Exchange gains	-	(7,372)
Research and development costs	984	2,842
Depreciation of owned tangible fixed assets	471,350	574,051
Amortisation of intangible assets	22,976	23,070
Cost of stocks recognised as an expense	5,987,214	8,046,186
Stocks impairment losses recognised or reversed	(175,113)	465,691
Operating lease charges	-	4,124
	<u>-</u>	<u>4,124</u>

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 £- (2018 - £7,372).

Notes to the financial statements (continued)

For the period ended 31 December 2019

5 Auditor's remuneration

	2019	2018
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	33,800	35,690
Audit of the financial statements of the company's subsidiaries	1,900	7,500
	<u>35,700</u>	<u>43,190</u>
For other services		
Taxation compliance services	7,000	6,470
All other non-audit services	13,500	20,073
	<u>20,500</u>	<u>26,543</u>

6 Employees

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

	Group 2019 Number	2018 Number	Company 2019 Number	2018 Number
Average number of employees	<u>185</u>	<u>170</u>	<u>185</u>	<u>170</u>

Their aggregate remuneration comprised:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Wages and salaries	5,076,300	7,056,876	5,076,300	7,056,876
Social security costs	451,227	646,535	451,227	646,535
Pension costs	91,766	122,110	91,766	122,110
	<u>5,619,293</u>	<u>7,825,521</u>	<u>5,619,293</u>	<u>7,825,521</u>

iSmash UK Trading Limited

Notes to the financial statements (continued)
For the period ended 31 December 2019

7 Interest payable and similar expenses

	2019	2018
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	428,809	359,519
Other finance costs:		
Other interest	10,881	85,223
	<u> </u>	<u> </u>
Total finance costs	439,690	444,742
	<u><u> </u></u>	<u><u> </u></u>

8 Other gains and losses

	2019	2018
	£	£
Amounts written off current loans	(281,523)	-
Amounts written off financial assets held at cost	(28,871)	-
	<u> </u>	<u> </u>
	(310,394)	-
	<u><u> </u></u>	<u><u> </u></u>

9 Taxation

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

	2019	2018
	£	£
Loss before taxation	(2,056,500)	(2,402,051)
	<u> </u>	<u> </u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(390,735)	(456,390)
Unutilised tax losses carried forward	390,735	456,390
	<u> </u>	<u> </u>
Taxation charge	-	-
	<u><u> </u></u>	<u><u> </u></u>

iSmash UK Trading Limited

Notes to the financial statements (continued)
For the period ended 31 December 2019

10 Intangible fixed assets

Group	Website £
Cost	
At 1 January 2019	187,607
Additions - separately acquired	32,003
	<hr/>
At 31 December 2019	219,610
	<hr/>
Amortisation and impairment	
At 1 January 2019	37,968
Amortisation charged for the Period	22,976
	<hr/>
At 31 December 2019	60,944
	<hr/>
Carrying amount	
At 31 December 2019	158,666
	<hr/>
At 31 December 2018	149,639
	<hr/>
Company	Website £
Cost	
At 1 January 2019	187,607
Additions - separately acquired	32,003
	<hr/>
At 31 December 2019	219,610
	<hr/>
Amortisation and impairment	
At 1 January 2019	37,968
Amortisation charged for the Period	22,976
	<hr/>
At 31 December 2019	60,944
	<hr/>
Carrying amount	
At 31 December 2019	158,666
	<hr/>
At 31 December 2018	149,639
	<hr/>

Notes to the financial statements (continued)
For the period ended 31 December 2019

11 Tangible fixed assets

Group	Leasehold land and buildings	Fixtures and fittings	Computers	Total
	£	£	£	£
Cost				
At 1 January 2019	3,149,384	748,103	111,009	4,008,496
Additions	144,552	3,372	3,930	151,854
Disposals	(36,294)	(28,142)	-	(64,436)
At 31 December 2019	3,257,642	723,333	114,939	4,095,914
Depreciation and impairment				
At 1 January 2019	686,163	312,191	71,860	1,070,214
Depreciation charged in the Period	323,145	126,412	21,793	471,350
Eliminated in respect of disposals	(15,655)	(19,911)	-	(35,566)
At 31 December 2019	993,653	418,692	93,653	1,505,998
Carrying amount				
At 31 December 2019	2,263,989	304,641	21,286	2,589,916
At 31 December 2018	2,463,221	435,912	39,149	2,938,282

Notes to the financial statements (continued)
For the period ended 31 December 2019

11 Tangible fixed assets (continued)

Company	Leasehold land and buildings	Fixtures and fittings	Computers	Total
	£	£	£	£
Cost				
At 1 January 2019	2,810,242	748,103	111,009	3,669,354
Additions	144,552	3,372	3,930	151,854
Disposals	(36,294)	(28,142)	-	(64,436)
	<u>2,918,500</u>	<u>723,333</u>	<u>114,939</u>	<u>3,756,772</u>
At 31 December 2019				
Depreciation and impairment				
At 1 January 2019	517,757	312,191	71,860	901,808
Depreciation charged in the Period	288,770	126,412	21,793	436,975
Eliminated in respect of disposals	(15,655)	(19,911)	-	(35,566)
	<u>790,872</u>	<u>418,692</u>	<u>93,653</u>	<u>1,303,217</u>
At 31 December 2019				
Carrying amount				
At 31 December 2019	<u>2,127,628</u>	<u>304,641</u>	<u>21,286</u>	<u>2,453,555</u>
At 31 December 2018	<u>2,292,485</u>	<u>435,912</u>	<u>39,149</u>	<u>2,767,546</u>

12 Fixed asset investments

		Group 2019	2018	Company 2019	2018
	Notes	£	£	£	£
Investments in subsidiaries	13	-	-	61,656	1,072,400

iSmash UK Trading Limited

Notes to the financial statements (continued)
For the period ended 31 December 2019

12 Fixed asset investments (continued)

Movements in fixed asset investments
Company

Shares in group
undertakings

£

Cost or valuation

At 1 January 2019

1,072,400

Impairments

(1,010,744)

At 31 December 2019

61,656

Carrying amount

At 31 December 2019

61,656

At 31 December 2018

1,072,400

13 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
iSmash Canary Wharf Limited	United Kingdom	Communication device repair services	Ordinary	100
iSmash Ken High Limited	United Kingdom	Communication device repair services	Ordinary	100
iSmash Limited	United Kingdom	Communication device repair service	Ordinary	100

14 Financial instruments

	Group 2019 £	2018 £	Company 2019 £	2018 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	1,097,709	1,031,532	1,262,773	1,227,931
Carrying amount of financial liabilities				
Measured at amortised cost	17,407,369	10,093,673	17,573,229	10,252,509

iSmash UK Trading Limited

Notes to the financial statements (continued)
For the period ended 31 December 2019

15 Stocks

	Group 2019 £	2018 £	Company 2019 £	2018 £
Finished goods and goods for resale	1,707,725	1,249,571	1,707,725	1,249,571

16 Debtors

	Group 2019 £	2018 £	Company 2019 £	2018 £
Amounts falling due within one year:				
Trade debtors	506,645	216,607	506,647	216,608
Unpaid share capital	111	-	111	-
Corporation tax recoverable	20,312	73,925	20,312	73,925
Other debtors	590,953	811,175	756,015	1,011,323
Prepayments and accrued income	5,105,430	549,438	5,088,680	525,438
	6,223,451	1,651,145	6,371,765	1,827,294

17 Creditors: amounts falling due within one year

Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans and overdrafts	225	-	-	-
Other borrowings	13,500	-	13,500	-
Trade creditors	1,492,943	844,471	1,492,943	844,471
Amounts owed to group undertakings	9,204,071	2,204,071	9,204,071	2,204,071
Corporation tax payable	-	53,613	-	53,613
Other taxation and social security	554,199	933,287	554,199	933,287
Other creditors	415,241	520,753	596,781	698,794
Accruals and deferred income	757,875	524,378	742,420	505,173
	12,438,054	5,080,573	12,603,914	5,239,409

iSmash UK Trading Limited

Notes to the financial statements (continued)

For the period ended 31 December 2019

18 Creditors: amounts falling due after more than one year

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Other creditors	5,523,514	6,000,000	5,523,514	6,000,000

The above amounts due to parent is in respect of a loan from iSmash Group. Interest is charged at 4% and it is due to be repaid in 2021.

19 Retirement benefit schemes

	2019	2018
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	91,766	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.

20 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 in issue 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.

iSmash UK Trading Limited

Notes to the financial statements (continued)
For the period ended 31 December 2019

21 Share capital

	Group and company	
	2019	2018
	£	£
Ordinary share capital		
Issued and not fully paid		
1,072,398 Ordinary share of £1 each	1,072,398	1,072,398
11,058 (2018: 0) Ordinary B share of 1p each	111	-
	<u>1,072,509</u>	<u>1,072,398</u>

During the year to 31 December 2019, 11,058 Ordinary B shares were issued at a nominal value of £0.01 per share. These remain unpaid at the year end.

22 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	
	2019	2018	2019	2018
	£	£	£	£
Within one year	1,605,243	1,818,292	1,605,243	1,593,292
Between two and five years	4,595,093	5,370,925	4,595,093	4,602,226
In over five years	4,041,940	5,478,844	4,041,940	5,417,940
	<u>10,242,276</u>	<u>12,668,061</u>	<u>10,242,276</u>	<u>11,613,458</u>

23 Related party transactions

Remuneration of key management personnel

The Director, COO and Finance Director are considered to be key management personnel. The total compensation of key management personnel during the period was £458,333 (2018: £510,464).

The company has taken advantage of the exemption in FR5102 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

iSmash UK Trading Limited

Notes to the financial statements (continued)
For the period ended 31 December 2019

24 Directors' transactions

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

Description	% Rate	Opening balance £	Amounts Closing balance written off £	£
Directors Loan	-	227,462	(227,462)	-
		<u>227,462</u>	<u>(227,462)</u>	<u>-</u>

25 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.

26 Cash generated from group operations

	2019 £	2018 £
Loss for the Period after tax	(2,056,500)	(2,402,051)
Adjustments for:		
Finance costs	439,690	444,742
Amortisation and impairment of intangible assets	22,976	23,070
Depreciation and impairment of tangible fixed assets	471,350	574,051
Non cash issue of shares	-	1,072,397
Other gains and losses	310,394	-
Movements in working capital:		
(Increase)/decrease in stocks	(458,154)	729,870
(Increase) in debtors	(4,853,269)	(31,233)
Increase in creditors	7,075,693	844,806
Cash generated from operations	<u>952,180</u>	<u>1,255,652</u>

iSmash UK Trading Limited

Notes to the financial statements (continued)

For the period ended 31 December 2019

27 Cash generated from operations - company

	2019 £	2018 £
Loss for the Period after tax	(3,067,244)	(2,400,350)
Adjustments for:		
Finance costs	439,690	444,742
Fair value loss on investment properties	1,010,744	-
Amortisation and impairment of intangible assets	22,976	23,070
Depreciation and impairment of tangible fixed assets	436,975	531,059
Other gains and losses	310,394	-
Movements in working capital:		
(Increase)/decrease in stocks	(458,154)	729,870
(Increase)/decrease in debtors	(4,825,435)	40,396
Increase in creditors	7,082,942	1,891,460
Cash generated from operations	952,888	1,260,247

28 Analysis of changes in net funds - group

	1 January 2019 £	Cash flows £	31 December 2019 £
Cash at bank and in hand	132,754	133,486	266,240
Bank overdrafts	-	(225)	(225)
	<u>132,754</u>	<u>133,261</u>	<u>266,015</u>
Borrowings excluding overdrafts	-	(13,500)	(13,500)
	<u>132,754</u>	<u>119,761</u>	<u>252,515</u>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.