

SmartComms SC Limited

Annual Report and Financial Statements

Year Ended

31 December 2018

Company Number 04303041



SmartComms SC Limited

Company Information

Directors	J Stratford J Brown
Registered number	04303041
Registered office	Catalyst House 720 Centennial Court Centennial Park Elstree Hertfordshire WD6 3SY
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

SmartComms SC Limited

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SmartComms SC Limited

Strategic Report For the Year Ended 31 December 2018

Chief Executive Officer's Report

The Smart Communications business traded strongly in the year. Bookings were strong, including many new customers which is a sign of the confidence they have in the Company and is a testament to the strength of the product and the value proposition for those customers. Revenues grew by 20%, we delivered a strong profit margin and generated significant operating cash flows. This performance enables us to invest in further developing our products and delivering good growth in 2019 and beyond.

We are seeing a strong market for our product set SmartCOMM, SmartCOMM for salesforce and SmartDX driven by an increasing acceptance of the benefits of cloud-based customer communication management and collaboration.

- Our ability to give enterprise customers true business control over the development of their transaction documents and customer communications and enable omnichannel output from a single template, all in the cloud, is unique.
- Our cloud services are flexible and we are able to address customers' requirements around data privacy and data protection through our hybrid cloud offering. With this approach sensitive information remains within the customers firewalls but they secure the benefits of our SaaS cloud-based service.
- The collaboration features of our product set enable our customers to negotiate and conclude documents with their counterparties in a controlled, auditable and efficient manner.

Overall our products enable our customers to reduce cost, complexity and risk whilst improving the quality of engagement with their customers.

We continue to expand our partner model where we embed our products in market-leading business platforms and software solutions. This extends our direct model into our partner's customer base and their ecosystem. We have continued to see success with Salesforce, Guidewire and others and since the year end we have signed additional partnerships.

Our professional services and support teams are delivering real value to new and existing customers ensuring smooth product implementation, training and ongoing service assurance. During the year we invested significantly in resources to further support our existing customers.

Our employees are fundamental to our success and that of our customers and we are proud of their capabilities and the real breadth and depth of their skills.

In summary we have a strong business, great products, world class partners, a set of customers we are honoured to serve, a well-funded and supportive shareholder and a dedicated and industry leading group of employees. We enter 2019 in a good position and with many exciting opportunities ahead of us.

Business model

The principal activity of the Company is the development of computer software for customer communication management (CCM) and related services. Our software is used to improve the way our customers engage with their customers through transaction and other customer related documents and communications. The software is licensed and delivered on a subscription basis to customers as Software-as-a-Service (SaaS) based on cloud infrastructure.

SmartComms SC Limited

Strategic Report (continued) For the Year Ended 31 December 2018

Financial review

Following the operational separation of the two business divisions, Smart Communications and One in 2015, the divisions legally separated on 1 of January 2016 transferring all One assets and liabilities at fair value to a newly created legal entity, respectively settling all the intercompany balances. On 8 September 2016 SmartComms SC Limited was sold to Platinum Acquisition Limited, as part of the Platinum Newco III Limited (formerly Thunderhead Topco Limited) group (the "Group"), under a share purchase agreement.

The controlling shareholders of the Company's ultimate parent, Platinum Topco Ltd, are funds managed by Accel-KKR. For over 15 years Accel-KKR has focused on investing in mid-market software and technology enabled growth companies. The firm has significant committed capital across its buyout and growth capital funds and a track record of supporting the development of its investee companies.

The Company's performance for continuing operations for the year ended 31 December 2018 was good, generating revenue in the period of £17.2m (2017: £14.4m) and operating profit (before reorganisations costs and gain on disposal of subsidiary undertaking) of £13.8m (2017: £14.1m).

Key performance indicators

Revenue

As the prime measure of the value our customers see in our products, revenue and revenue growth are key to measuring the success of our business and our growth strategies.

Operating profit (before reorganisation costs and depreciation)

Operating profit (before reorganisation costs and depreciation) is a measure of the quality of our revenue and revenue growth. It is also a measure of the value added by the Company reflecting the quality of our products and our organisational effectiveness.

Strategy

The strategy of the Company is to continue to develop world-class customer communications management software for target end customer markets that have good growth potential and where our products can deliver real value to our customers. We will continue to develop our products with features and functionality that will improve our value proposition and we will incorporate the latest innovations where it will drive a higher quality, more co-ordinated and larger scale conversation between our customers and their customers. We will also look for additional use cases for our software within existing customers as well as targeting new customers. We will seek new partnerships to continue to integrate into our customers' technology and operational ecosystems.

SmartComms SC Limited

Strategic Report (continued) For the Year Ended 31 December 2018

Principal risks and uncertainties

Financial performance

Continued profitability and cash flow generation from contracts are required to enable the Company to continue to develop our products and meet our financing obligations. The Company manages this risk by ensuring commercial reviews of key contracts and ongoing monitoring of financial performance.

Product quality and functionality

Maintaining and developing high quality, value adding software products is key to ensure our existing customers continue to see the value created from the Company's products. This also enables us to win additional business from those customers and secure new customers. The Company manages this risk by following an industry standard approach to product development and support and by maintaining an awareness of the latest innovations in our market.

Data security, data protection and system availability

As a cloud base Software as a Service (SaaS) provider it is critical that we comply with the regulator's and customer's requirements relating to data privacy, data protection and system availability. To manage this risk the Company follows industry leading frameworks for the management of data and the underlying hardware systems.

This report was approved by the board on 27 September 2019 and signed on its behalf.



J Stratford
Director

SmartComms SC Limited

Directors' Report For the Year Ended 31 December 2018

The directors present their report together with the audited financial statements for the year ended 31 December 2018.

Results and dividends

The profit for the year, after taxation, amounted to £10,011k (2017 : £13,190k).

Dividends of £Nil were paid in the year by the Company (2017: £Nil).

Directors

The directors who served during the year were:

J Stratford (appointed 11 June 2018)

J Brown (appointed 11 June 2018)

G J Wright (resigned 11 June 2018)

Matters covered in the Strategic Report

A review of the business, key performance indicators, strategy and principal risks and uncertainties are contained within the Strategic Report on pages 1 to 3 of these financial statements.

Financial risk management

The Company's activities expose it to a number of financial risks. Details of these and how the Company mitigates these risks are set out below.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices. Each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating "A" are accepted.

Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The board receives cash flow projections on a monthly basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the Company expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

SmartComms SC Limited

Directors' Report (continued) For the Year Ended 31 December 2018

Financial risk management (continued)

Market risk

Market risk arises from the Company's use of interest bearing, tradeable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Cash flow interest rate risk

The Company is exposed to cash flow interest rate risk from long-term borrowings at variable rates.

During the periods under review, the Company's borrowings at variable rate were denominated in US Dollars.

Foreign exchange risk

Foreign exchange risk arises when the Company enters into transactions denominated in a currency other than its functional currency. The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in their functional currency (primarily US Dollar or Pound Sterling) with the cash generated from their own operations in that currency. Where Group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

Post balance sheet events

On the 17 July 2019, SmartComms Pty Ltd, a subsidiary of SmartComms SC Limited acquired 100% of the share capital of Intelledox Pty Ltd, a business incorporated and registered in Australia.

Research and development

The Company continues to invest in research and development, expensing the costs in the Statement of Comprehensive Income for the year. Total R&D costs from continuing operations totalled £5,473k (2017: £4,775k).

Employment of disabled persons

The Company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Particular attention is given to the training and promotion of disabled employees to ensure that their career development is not unfairly restricted by their disability, or perceptions of it.

The Company's HR procedures are clear that full and fair consideration must be given to applications made by and the promotion of disabled persons. Where an employee becomes disabled whilst employed by the Company, the HR procedures also require that reasonable effort is made to ensure they have the opportunity for continued employment within the Company. Retraining of employees who become disabled whilst employed by the Company is offered where appropriate.

Employee involvement

The Company maintains an HR intranet site that provides employees with information on matters of concern to them as employees, including the financial and economic factors affecting the performance of the Company. The intranet site includes functionality that enables employees to express views on matters that affect them anonymously and the Group also undertakes a biennial staff survey to canvas views on significant matters.

SmartComms SC Limited

Directors' Report (continued) For the Year Ended 31 December 2018

Disclosure of information to auditor

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

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

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 27 September 2019 and signed on its behalf.



J Stratford
Director

SmartComms SC Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2018

The directors are responsible for preparing the Strategic Report, the Directors' 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 Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

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

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

SmartComms SC Limited

Independent Auditor's Report to the Members of SmartComms SC Limited

Opinion

We have audited the financial statements of SmartComms SC Limited ("the company") for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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 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.

SmartComms SC Limited

Independent Auditor's Report to the Members of SmartComms SC Limited (continued)

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report has 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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' Report.

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

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

SmartComms SC Limited

Independent Auditor's Report to the Members of SmartComms SC Limited (continued)

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 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 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 at the Financial Reporting Council's website at: <https://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.



Julian Frost (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date: 27 September 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

SmartComms SC Limited

Statement of Comprehensive Income For the Year Ended 31 December 2018

			As restated
	Note	2018 £000	2017 £000
Turnover	4	17,223	14,387
Cost of sales		(4,255)	(3,632)
Gross profit		12,968	10,755
Administrative expenses		(15,458)	(10,508)
Exceptional administrative expenses		(417)	(354)
Other operating income	6	13,616	13,810
Operating profit	7	10,709	13,703
Interest receivable and similar income	9	22	4
Profit before tax		10,731	13,707
Tax on profit	10	(720)	(517)
Profit for the financial year		10,011	13,190
Other comprehensive income for the year			
Total comprehensive income for the year		10,011	13,190

The notes on pages 14 to 25 form part of these financial statements.

SmartComms SC Limited
Registered number: 04303041

Statement of Financial Position
As at 31 December 2018

	Note	2018 £000	As restated 2017 £000
Fixed assets			
Tangible assets	11	263	177
		<u>263</u>	<u>177</u>
Current assets			
Debtors: amounts falling due within one year	12	18,689	14,368
Cash at bank and in hand		695	1,222
		<u>19,384</u>	<u>15,590</u>
Creditors: amounts falling due within one year	13	(17,759)	(22,819)
Net current assets/(liabilities)		<u>1,625</u>	<u>(7,229)</u>
Total assets less current liabilities		<u>1,888</u>	<u>(7,052)</u>
Creditors: amounts falling due after more than one year	14	(209)	(962)
Provisions for liabilities			
Deferred tax	15	(30)	-
Other provisions	16	(143)	(491)
		<u>(173)</u>	<u>(491)</u>
Net assets/(liabilities)		<u><u>1,506</u></u>	<u><u>(8,505)</u></u>
Capital and reserves			
Called up share capital	17	1,000	1,000
Profit and loss account	18	506	(9,505)
		<u><u>1,506</u></u>	<u><u>(8,505)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 September 2019



J Stratford
Director

The notes on pages 14 to 25 form part of these financial statements.

SmartComms SC Limited

Statement of Changes in Equity For the Year Ended 31 December 2018

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2018	1,000	(9,505)	(8,505)
Comprehensive income for the year			
Profit for the year	-	10,011	10,011
Total comprehensive income for the year	-	10,011	10,011
At 31 December 2018	1,000	506	1,506

Statement of Changes in Equity For the Year Ended 31 December 2017

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2017	1,000	(22,695)	(21,695)
Comprehensive income for the year			
Profit for the year	-	13,190	13,190
Total comprehensive income for the year	-	13,190	13,190
At 31 December 2017	1,000	(9,505)	(8,505)

The notes on pages 14 to 25 form part of these financial statements.

SmartComms SC Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

1. General information

SmartComms SC Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act. The address of the registered office is given on the Company Information page and the nature of the Company's operations and its principal activities are set out in the Strategic Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest thousand pounds.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

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

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Platinum Topco Limited as at 31 December 2018 and these financial statements may be obtained from Companies House.

2.3 Going concern

At 31 December 2018 the Company had net assets of £1.5 million (2017: net liabilities of £8.5 million) and generated net profits of £10.0 million (2017: £13.2 million) for the year then ended. The directors have prepared financial forecasts and are satisfied the Company will be able to operate within the existing facilities for the next twelve months following approval of these financial statements. The directors are confident that the forecasts will be achieved, but recognise that there could be delays in converting the current strong order pipeline to revenue. Should this be the case, the directors are satisfied, that there are steps that the Company can take to reduce current discretionary expenditure and are confident that the Company will be able to meet its liabilities as they fall due for the foreseeable future. It is on that basis that the directors consider it appropriate to prepare the Company's financial statements on a going concern basis.

SmartComms SC Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.4 Exemption from preparing consolidated financial statements

The company has taken advantage of the exemption conferred by s400 of the Companies Act 2006 not to produce consolidated financial statements as it is included in the EEA consolidated financial statements of a larger group, details of which can be found in note 22.

2.5 Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the Company's ordinary activities after deduction of value added tax. Turnover on Software as a Service (SaaS) contracts, maintenance and support services sales is recognised over the period to which it relates.

2.6 Research and development

Expenditure on research and development is charged to the Statement of Comprehensive Income in the period in which it is incurred.

2.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on all tangible fixed assets, less residual value, in equal annual installments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Computer equipment	-	33.33% per annum
Office equipment	-	33.33% per annum
Fixtures and fittings	-	25.00% per annum
Leasehold improvements	-	across the remaining minimum lease term

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

2.8 Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

SmartComms SC Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.9 Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Company, and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over the shorter of the lease term and the relevant asset's useful life. The capital elements of the future obligations under leases and hire purchase contracts are included as liabilities in the Balance Sheet. The interest elements of the rental obligations are charged in the Statement of Comprehensive Income over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (1 January 2014) to continue to be charged over the shorter period to the first market rent review rather than the term of the lease.

All other leases are treated as operating leases. Their annual rentals are charged to the Statement of Comprehensive Income on a straight line basis over the term of the lease.

Where the Company has a legal obligation, a dilapidations provision is created on inception of a lease. These provisions are a best estimate of the cost required to return leased properties to their original condition upon termination of the lease. Where the obligation arises from 'wear and tear', the provision is accrued as the 'wear and tear' occurs.

2.10 Current taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred taxation

Deferred taxation is provided in full on timing differences which result in an obligation at the reporting date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as likely that they will be recovered. Deferred tax assets and liabilities are not discounted.

2.11 Pension contributions

The Company does not operate a pension scheme but makes contributions to the personal pension plans of its employees. Contributions are recognised in the Statement of Comprehensive Income in the period in which they become payable.

2.12 Foreign currency translation

The financial statements are presented in 'Sterling', which is the Company's functional and presentational currency.

Transactions in foreign currencies are translated into sterling at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. These translation differences are taken to the Statement of Comprehensive Income.

SmartComms SC Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.13 Investments

Investments are shown at cost less provision for impairment.

2.14 Financial instruments

Financial assets

Financial assets are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

2.15 Finance costs

Finance costs are charged to Statement of Comprehensive Income over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount.

2.16 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the Company as a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether deferred tax assets should be recognised based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts.

Other key sources of estimation uncertainty:

- Estimated impairment of amounts due from group undertakings
The Company reviews the solvency and future trading forecasts of fellow Group undertakings to determine whether the balances due have suffered any impairment.

SmartComms SC Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

4. Turnover

Analysis of turnover by country of destination:

	2018 £000	2017 £000
United Kingdom	17,223	14,387

5. Reorganisation costs

The reorganisation costs of £417k (2017: £354k) relate to legal and professional fees for legal group restructuring pre and post acquisition. The costs have been charged to operating profit and included in administrative expenses in the Statement of Comprehensive Income.

6. Other operating income

	2018 £000	2017 £000
Recharges to subsidiary undertakings	13,616	13,810

7. Operating profit

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

	2018 £000	2017 £000
Research & development charged as an expense	5,473	4,775
Depreciation of tangible fixed assets	112	76
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	50	51
Exchange differences	735	(2,275)
Other operating lease expense - land and buildings	353	186
Defined pension contributions	701	335
	(5,316)	(2,106)

SmartComms SC Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

8. Employees

Staff costs, were as follows:

	2018 £000	2017 £000
Wages and salaries	9,087	8,276
Social security costs	1,244	1,130
Cost of defined contribution scheme	701	335
	<u>11,032</u>	<u>9,741</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Customer success	15	13
Business administration	15	11
SaaS and information technology	26	22
Marketing	2	2
Research and development	53	60
Sales	10	9
	<u>121</u>	<u>117</u>

9. Interest receivable and similar income

	2018 £000	2017 £000
Other interest receivable	<u>22</u>	<u>4</u>

SmartComms SC Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

10. Taxation

	2018 £000	2017 £000
Corporation tax		
Current tax on profits for the year	799	-
Adjustments in respect of previous periods	(43)	(346)
Other	(85)	-
Total current tax	671	(346)
Deferred tax		
Origination and reversal of timing differences	49	1,284
Adjustment in respect of prior periods	-	(421)
Total deferred tax	49	863
Taxation on profit	720	517

SmartComms SC Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017: lower than) the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	10,731	13,707
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	2,039	2,638
Effects of:		
Expenses not deductible for tax purposes	24	38
Research and development expenditure credits	11	(53)
Deferred tax not recognised	34	-
Changes in tax rates	-	(170)
Group relief claimed	(1,261)	(1,169)
Adjustments to tax charge in respect of prior periods	(43)	(767)
2018 RDEC	(85)	-
Fixed asset differences	3	-
Adjust opening deferred tax to average rate of 19.00%	2	-
Adjust closing deferred tax to average rate of 19.00%	(4)	-
Total tax charge for the year	720	517

Factors that may affect future tax charges

Reductions in the UK Corporation tax rate from 20.00% to 17.00% (19.00% effective from 1 April 2017 and 17.00% effective from 1 April 2020) have been substantively enacted. This will impact the Company's future tax charge accordingly. The deferred tax liability at 31 December 2018 has been calculated based on the rates substantively enacted at the reporting date.

SmartComms SC Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

11. Tangible fixed assets

	Leasehold improvements £000	Computer equipment £000	Fixtures, fittings and office equipment £000	Total £000
Cost or valuation				
At 1 January 2018	130	1,572	162	1,864
Additions	27	169	2	198
At 31 December 2018	157	1,741	164	2,062
Depreciation				
At 1 January 2018	108	1,430	149	1,687
Charge for the year	11	95	6	112
At 31 December 2018	119	1,525	155	1,799
Net book value				
At 31 December 2018	38	216	9	263
At 31 December 2017	22	142	13	177

12. Debtors

	2018 £000	2017 £000
Trade debtors	5,246	3,211
Amounts owed by group undertakings	12,128	9,589
Other debtors	48	436
Prepayments and accrued income	1,267	1,113
Deferred taxation (note 15)	-	19
	18,689	14,368

The impairment loss recognised in profit or loss for the year in respect of bad and doubtful trade debtors was a gain of £4k (2017: a loss of £195k).

All amounts shown under debtors fall due for payment within one year.

SmartComms SC Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

13. Creditors: amounts falling due within one year

	2018	As restated 2017
	£000	£000
Trade creditors	411	441
Amounts owed to group undertakings	6,038	11,654
Corporation tax	139	-
Other taxation and social security	473	504
Other creditors	152	634
Accruals and deferred income	10,546	9,586
	<u>17,759</u>	<u>22,819</u>

14. Creditors: amounts falling due after more than one year

	2018	2017
	£000	£000
Deferred income	<u>209</u>	<u>962</u>

15. Deferred taxation

	2018 £000
At beginning of year	19
Charged to profit or loss	(49)
At end of year	<u>(30)</u>

The deferred taxation balance is made up as follows:

	2018 £000	2017 £000
Accelerated capital allowances	6	10
Short term timing differences	(36)	9
	<u>(30)</u>	<u>19</u>

SmartComms SC Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

16. Provisions

	Dilapidations £000	Long service lease £000	Total £000
At 31 December 2018 and 31 December 2017 (as restated)	117	374	491
Charged to profit or loss	-	(348)	(348)
At 31 December 2018	117	26	143

17. Share capital

	2018 £000	2017 £000
Allotted, called up and fully paid		
1,695,232 Ordinary shares of £0.05 each	85	85
14,848,128 Ordinary A shares of £0.05 each	742	742
3,456,640 Ordinary B shares of £0.05 each	173	173
	1,000	1,000

All shares rank pari passu as regards to dividends, voting rights and rights upon winding up.

18. Share capital and reserves

The Company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

19. Prior year adjustment

The following adjustments have been made to the year ended 31 December 2017:

- Depreciation of £8k relating to the Software as a Service (SaaS) system was originally included in cost of sales. This has subsequently been reclassified as an administrative expense, and has had no effect on profit for the year.
- The provision for long service leave of £374k has been reclassified as a provision from accrued expenses. This has not had an effect on net assets or profit for the year.

SmartComms SC Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

20. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
Not later than 1 year	384	271
Later than 1 year and not later than 5 years	403	580
	<u>787</u>	<u>851</u>

21. Related party transactions

As a subsidiary of Platinum Topco Limited the Company has taken advantage of the exemption allowed under FRS 102 Section 33.1A not to disclose transactions with other wholly owned members of the Group.

22. Controlling party

The immediate parent undertaking of the Company is Platinum Newco I Limited, a company incorporated in England and Wales.

The ultimate parent undertaking is Platinum Topco Limited, a company incorporated in England and Wales. The largest and smallest group in which the results of the Company are consolidated is that headed by Platinum Topco Limited. The financial statements for Platinum Topco Limited can be obtained from the registered office address shown on the Company Information page.

The ultimate controlling party of the Company is Accel-KKR Capital Partners V, LP. There is no ultimate controlling party of Accel-KKR Capital Partners V, LP.

23. Post balance sheet events

SmartComms Pty Ltd, a direct subsidiary of SmartComms SC Limited acquired 100% of the issued share capital of Intelledox Pty Ltd, a company incorporated and registered in Australia, on 17 July 2019.