

Registration number: 10848759

Smile Midco 2 Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 March 2021



Smile Midco 2 Limited

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Smile Midco 2 Limited

Company Information

Directors	R Chapman
	C Cole
	T Crockford
	J D Elliott
	P Galligan
	W Phillips
Registered office	Minster Building
	21 Mincing Lane
	4th Floor
	London
	EC3R 7AG
Auditors	Ernst & Young LLP
	1 More London Place
	London
	SE1 2AF

Smile Midco 2 Limited

Strategic Report for the Year Ended 31 March 2021

The directors present their strategic report for the year ended 31 March 2021.

Principal activity and review of the business

The principal activity of the group is to help small and medium-sized enterprises ("SMEs") save time and money on their business essentials. We leverage smart technology, data, and human expertise to help SMEs sort their business energy, insurance, connectivity and telecoms.

The Smile Midco 2 Group ("Smile Group", "Bionic Group" or "the Group") uses tech-enabled human experts to provide comparison, switching and intermediary services for over 107,000 (2020 - 83,000) SMEs in the UK. The group receives a commission from a vetted panel of suppliers for successfully switching customers to their services. The Group purpose is "Earning the lifetime loyalty of British Businesses" and we achieve this by being trusted to make switching and saving easy forever for our customers.

A summary of the results for the period and the financial position are set out in the financial statements on pages 18 and 20.

The Directors plan to maintain the Group position as a leading provider of comparison, switching and intermediary services in the UK. They will look to do this through the combination of smart technology with our industry leading telesales team and applying these to a wider range of services. During the year, the acquisition of Business Comparison Group Limited exchanged, which will provide the Group with additional digital marketing capabilities, which are complementary to the Group's existing activities. The acquisition completed after the balance sheet date on 14 May 2021.

Key performance indicators

The company measures and monitors, on a weekly and monthly basis, a broad range of key performance indicators to ensure continuous improvement and progress towards achieving its strategic objectives. The Directors are of the opinion that the following constitute the Group's key performance indicators:

- Revenue
- Adjusted proforma EBITDA
- Annual revenue retention rate
- Customer satisfaction, as measured by Net Promoter Score ("NPS")

Revenue continued to grow in the year, with new business growth rates of 10% YoY, despite the impact of COVID-19.

EBITDA was £5.1m (2020 - £6.0m) for the period.

Net revenue retention rates (measured as the value of contracts which renew with us compared to the previous sales value, on an annualised basis) remained high at 92% (2020 - 92%) showing the success of our Do It For You service and the level of customer service delivered.

Customer Net Promoter Score was consistently more than +80.

Smile Midco 2 Limited

Strategic Report for the Year Ended 31 March 2021

Highlights of the period included:

- Strong new business growth at 10% across the Group and 52% in the core inbound operation
- Maintaining strong renewal rates with existing customers through an improving proposition
- Negotiating and exchanging on the acquisition of Business Comparison Group Limited
- Maintaining strong relationships with suppliers

Principal risks and uncertainties

The principal risks and uncertainties faced by the group are outlined below including an explanation on how these risks are managed and mitigation strategies implemented:

Threat and risk of cyber security attack could adversely impact business operations and customer trust

The group faces the ongoing threat of being subject to a cyber security attack that could result in the loss or disclosure of customer data or potential downtime of systems. Any breach could adversely impact business operations and/or result in major data loss, which would have a negative impact on reputation, reduce customer or partner trust and incur penalties.

As the diversity, sophistication and complexity of cyber-attacks continues to increase, the group continues to invest in technology, staff training and awareness to prevent attacks and reduce their impact.

Uncertainty relating to the estimation of revenue by contract and accrued revenue recoverability

Revenue recognised is underpinned by a number of key assumptions, including the expected future consumption of customers, and is therefore inherently uncertain as further discussed within the revenue recognition accounting policy note. Uncertainty is greatest for new connections and is increased with the uncertainty caused by the global pandemic.

The Group has established a number of mitigating processes and controls to review and improve accuracy of the values recognised, they include:

- Data cleanse process to confirm current consumption values with suppliers at the point of renewal;
- Dedicated Quality Assurance team who review sale documentation and values captured;
- Reporting and monitoring of the key assumptions used in revenue recognition;
- Finance revenue meetings to review variances and track actual receipts to expected commissions;
- and
- Dedicated Compliance Team reviewing sales and entity processes and controls.

The impact of the Covid-19 pandemic on the UK economy and specifically the impact on the long-term viability of SME customers is inherently uncertain. The national lockdowns imposed over the financial year have also introduced additional uncertainty around the level of energy consumed by UK SME customers. We have estimated the impact of these uncertainties based on data we receive from suppliers and share this risk with energy suppliers through our contractual terms.

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Strategic Report for the Year Ended 31 March 2021

Increased market competition

New and existing competition who are better at meeting and delivering customer needs could reduce the group's market share and growth opportunities. Maintenance and growth of customer acquisition coupled with servicing the needs of and retaining renewal customers is fundamental to protecting and growing market share.

The group continues to invest in sources of lead acquisition, acquiring new partners and building on current partner relationships, as well as, innovative product offerings such as the Do it for You renewals service and new routes to market. The Group also regularly conducts monitoring and benchmarking against competitor service offerings and pricing to ensure a market leading proposition.

Regulatory compliance

All group companies are regulated by a number of regulatory bodies, with Bionic Financial Services Limited regulated by the Financial Conduct Authority to sell insurance and Think Business Finance Limited regulated by the Financial Conduct Authority to sell business loans.

We employ experienced and dedicated compliance personnel who monitor compliance across the group. Senior management encourage a culture of trust with our customers and ensure sufficient focus is placed on these compliance activities.

Loss of key management and/or the inability to recruit and retain employees

The inability to identify and recruit skilled employees and ensure a continuous pipeline of new talent could negatively impact the performance, growth potential and quality of service provided to customers.

This is mitigated by:

- Experienced and established Senior Leadership Team;
- Investment in recruitment;
- Engagement scores reviewed to respond to employee feedback; and
- Staff benefits programme and highflyers initiatives.

In FY19/20 we entered the Times Best Company awards and placed 7th in the Best 100 Mid Size Companies to work for 2020, the survey was not conducted in FY20/21. Plans and initiatives are underway to continually improve staff engagement particularly focusing on dynamic working as employees return to the office.

Strategic risks

The general economic environment and political uncertainty have the potential to impact the markets in which we operate. Reputational risk from customer claims, competitors, partners, suppliers and regulators could reduce our market share.

Monitoring and regular horizon scanning of the regulatory landscape ensure we are prepared for changes in the market.

Smile Midco 2 Limited

Strategic Report for the Year Ended 31 March 2021

Statement by the directors in performance of their statutory duties in accordance with s172(1)

The board of directors consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole having due regard in doing so for the matters set out in section 172(1) (a) to (f) in the Companies Act 2006.

The Board is fully aware of its responsibilities to promote the success of the Group. A summary of how we deliver for our stakeholders is outlined below.

After weighing up all relevant factors, the Directors consider which course of action best enables delivery of our strategy through the long-term, taking into consideration the impact on stakeholders and balancing the interests of all stakeholder groups.

Stakeholder Group	Our Priorities	How we engage	2021 Activities & Outcomes
Customers Our purpose is to earn the lifetime loyalty of British businesses	Engaging with our customers on the benefits of saving money and hassle on their business essentials and being able to focus on growing their own businesses within their communities Ensuring their contracts are switched to new suppliers with minimum hassle and with excellent communication throughout	We engage with our customers every day through our voice, email and digital communications channels. We track their engagement through NPS and trustpilot feedback and review this feedback monthly to improve our services and processes We conduct regular customer forums to gain feedback on new and existing product features, benefits and pricing We explain the features and benefits of products that can enable customers to save time and money forever such as the DIFY proposition	Achieved Customer NPS consistently over 80 We supported our customers throughout lockdown with an online community forum and hundreds of hours of online research to make sure our offer kept pace with their changing needs. We also started The Backbone, our fortnightly email newsletter for anyone who owns, runs or works in an SME. Implemented individual agent level reporting of customer satisfaction which is factored into all sales colleague performance reviews and all of our remuneration schemes Over 85 per cent of customers have taken up the DIFY service where offered across the group

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Strategic Report for the Year Ended 31 March 2021

Colleagues Our Colleagues are the heart of our business and provide excellent service to our customers day in and day out	Committed to Training and Development of our people Focus on employee engagement	Our amazing people and high-performance culture are a key part of our business strategy. Our culture is driven by three values that run through everything we do, in every part of the Group. We call it 'Our DNA' We're one team We make a difference We push for greatness	Achieved 7th in the Sunday Times Top 100 Best Companies to work for 2020. Continued to gather employee feedback with a pulse survey in May 2020. We promoted 115 colleagues throughout the year including through our Sales Development schemes Supported employees working from home with an equipment allowance
Partners Our partners trust us to represent their brands and provide essential services for their customers	Ensuring we operate in accordance with partner agreements while providing stand out service to our shared customers	We perform monthly and quarterly reviews with key suppliers to track performance on shared metrics. We provide regular balanced scorecard reporting ranging from customer outcomes to financial metrics	Successful launch of major new partner in Energy, later extending the partner relationship to cover telecoms. Extending existing partner relationship with two partners to cover business finance

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Strategic Report for the Year Ended 31 March 2021

Suppliers Maintaining an engaged panel of suppliers is essential to providing our customers with the best products	Operating responsibly and ethically is vital to our long term success and we work with our suppliers to ensure the quality and appropriateness of products for our customer base and to ensure our systems and theirs align to provide both quality data flows and a quality service to our customers	We have Gold partner relationships with the majority of our key partners that uphold customer centric standards of conduct We complete due diligence and regular reviews with our suppliers generally on a monthly and quarterly basis to track performance towards shared goals	Gold supplier relationships are in place with suppliers that represent over 95% of our sold contracts Consistently receive positive feedback and are able to launch unique customer propositions with their support
Community We give back to our communities	Supporting the community we operate in Encourage all our colleagues to volunteer for a day with either our or a charity of their choice at the group's expense	We partner with the Childhood Trust to alleviate the impact of child poverty We provide regular volunteering opportunities and feedback	We continue with our plan to give back £500k of value (time and money) over the next 3 years and found ways to deliver this despite lockdowns through remote mentoring of school children. Employee charitable donations are matched by the Group.
Regulators	We maintain regular and ongoing dialogue with key regulatory bodies including the FCA, Ofgem and others	Our Legal and Compliance team works across the Group to ensure it remains compliant with new and existing regulation.	We continue to comply with our duties under the GDPR and all relevant regulatory regimes.

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Strategic Report for the Year Ended 31 March 2021

Approved by the Board on 21 July 2021 and signed on its behalf by:


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P Galligan
Director

Smile Midco 2 Limited

Directors' Report for the Year Ended 31 March 2021

The directors present their report and the financial statements for the year ended 31 March 2021.

Results and dividends

The group reported a loss for the year after taxation of £14,689,000 (2020 - loss of £12,421,000 (restated)).

Dividends declared in the year were £nil (2020 - £nil).

Directors of the group

The directors who held office during the year were as follows:

R Chapman

C Cole

T Crockford

J D Elliott

P Galligan

W Phillips

Financial instruments

The group has established a risk and financial management framework whose primary objectives are to protect the group from events that hinder the achievement of the group's performance objectives. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level, refer to note 23.

Employment of disabled persons

In considering applications for employment from disabled people, the Group seeks to ensure that full and fair consideration is given to the abilities and aptitudes of the applicant against the requirements of the jobs which they have applied. Employees who become temporarily or permanently disabled are given individual consideration and where possible, equal opportunities for training, career development and promotions.

Employee involvement

The Group's policy is to consult and discuss with employees matters likely to affect employees' interests. Information about matters of concern to employees is given through regular staff events, such as monthly launches, saving zone launches three times a year, and regular updates on team and group performance. Communications have been increased through the lockdown and pandemic with staff working from home or on furlough.

Engagement with employees, suppliers, customers and other relationships

Details of engagement with employees, suppliers, customers and other business relationships are included in the Strategic Report, as the directors consider these are of strategic importance.

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Directors' Report for the Year Ended 31 March 2021

Carbon reporting

The Group is conscious of its energy usage and the impact on the environment and looks to reduce usage where possible. The usage in the year of c. 268,000 kWh (2020 - 226,000 kWh) relates to the purchase of electricity for our offices and is based on invoices. The current intensity ratio for the reporting period was 1.7 (2020 - 1.6). This is calculated based on the kilograms of CO2 emissions associated with the operating activities of the Group at c. 63,000kg (2020 - 53,000kg), divided by number of contracts sold. In our calculations, we convert kWh to kg of carbon released based on Greenhouse gas reporting: conversion factors from Department for Business, Energy and Industrial Strategy. The conversion factor is 0.23314 kg CO2 for each kWh.

Future developments

The group remains in a strong position to grow in the coming year based on an increased portfolio of products and services and its strong renewals pipeline, with a majority of customers trusting us to achieve continuous savings for them.

Research and development

Research and development relating to work done on our internal platforms and systems totalled £2,498,000 for the year (2020 - £4,347,000), all of which was capitalised. Further research and development costs relating to other projects of £673,000 (2020 - £85,000) was expensed.

Going concern

The Group made a loss for the year of £14.7m (2020 - loss of £12.4m (restated)) and has net current liabilities of £73.6m (2020 - net current liabilities of £66.9m (restated)).

In determining whether the Group's annual financial statements can be prepared on a going concern basis, the Directors have considered the Group's business activities, together with the factors likely to affect its future development, performance and position, including the impact of the Covid-19 pandemic. The review also includes the financial position of the Company and the wider Group that the Company is part of, their short term and long-term cash flows, liquidity position and borrowing facilities. The Directors have considered the period up to and including November 2022 in making their assessment, as a detailed budget has been prepared through March 2022 and the reliability of renewal estimates gives a high degree of predictability beyond this period to March 2022.

The key factors considered by the directors in making the assessment of going concern were as follows:

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Directors' Report for the Year Ended 31 March 2021

- The implications of changes to the economic environment on the Group's revenues and profits, in particular, the resilience of SMEs to the economic environment, future pricing and forecast energy consumption. Consumption levels are expected to recover as the economy reopens, although no significant increase has been included in the forecasts. Live rates are being closely monitored and are expected to be consistent with historical levels with businesses starting to recover from the impact of Covid-19, and this has been factored into the forecasts.
- The underlying seasonality of the business and forecasts in respect of renewals revenue in Bionic which is highly predictable.
- The expected performance of the Business Comparison acquisition completed in May 2021.
- The £21.8m senior loan facility, £18.5m of which is not repayable until 2024 and £3.3m of which is repayable in instalments until September 2023. The facility is available for general corporate purposes including working capital and letters of credit and was drawn down in full in advance of the year end.
- Additional £7.5m senior facility drawn down in May 2021 to support the acquisition of Business Comparison which is repayable in instalments until September 2023.
- The availability of the revolver loan of £3.0m of which £3.0m is drawn at year end and is available until 2023 and to which no additional conditions are attached.
- Intercompany loan balances with other Group companies and the prospects for continued support from these companies throughout the going concern assessment period.
- Downside scenario models including the impact of further economic deterioration on liquidity and the covenants on the senior loan facility. This included consideration of mitigating actions available to management, and within management's control, in these scenarios and demonstrated an EBITDA reduction from management forecasts of 25% could be absorbed without covenants being breached.

Having assessed the mitigating actions available and after making inquiries, the Directors are confident that the required deterioration in forecast EBITDA for a breach in the revised covenants is a remote possibility and therefore Group can continue as a going concern. For these reasons, the Directors continue to adopt the going concern basis for the preparation of these financial statements.

Important non adjusting events after the financial period

On 14 May 2021, the Group acquired the entire share capital of Business Comparison Group Limited which provides direct marketing through a website for business comparison services. The acquisition was mainly funded through additional bank debt. The acquisition will add less than 10% to the EBITDA of the existing business.

On 14 July 2021 the Group purchased certain assets of Utility Exchange Online (trading as "Switch My Business") from the administrators of that company, including all book debts and their underlying customer database. The acquisition was mainly funded through the issuance of additional loan notes to shareholders. The acquisition will add less than 10% to the EBITDA of the existing business.

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

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Directors' Report for the Year Ended 31 March 2021

Reappointment of auditors

The auditors Ernst & Young LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 21 July 2021 and signed on its behalf by:


.....
P Galligan
Director

Smile Midco 2 Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities 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 including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" 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 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; and
- 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.

Smile Midco 2 Limited

Independent Auditor's Report to the Members of Smile Midco 2 Limited

Opinion

We have audited the financial statements of Smile Midco 2 Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2021, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, and the related notes 1 to 32, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of seventeen months (to the end of November 2022) from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Smile Midco 2 Limited

Independent Auditor's Report to the Members of Smile Midco 2 Limited

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter 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 have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 13, 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.

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Independent Auditor's Report to the Members of Smile Midco 2 Limited

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are United Kingdom Generally Accepted Accounting Practice and the Companies Act 2006
- We understood how Smile Midco 2 Limited is complying with those frameworks by making enquiries of management, those charged with governance, and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and by considering the results of our audit procedures across other group companies. Our assessment considered the tone set from the top by senior management and the emphasis placed on a culture of honest and ethical behaviour.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with various members of management to gather their views. We considered the programmes and controls that the company has established to address the risks identified, or that otherwise prevent, deter or detect fraud, and how senior management monitors those programmes and controls.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved: enquiries of management, those charged with governance and those responsible for legal and compliance procedures; and addressing the risk of management override, primarily through tests of those journal entries identified as having higher-risk characteristics.

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

Smile Midco 2 Limited

Independent Auditor's Report to the Members of Smile Midco 2 Limited

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.

Ernst & Young LLP
Andy Williams (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 22 July 2021

Smile Midco 2 Limited

Consolidated Profit and Loss Account for the Year Ended 31 March 2021

			(As restated (note 2))
	Note	2021 £ 000	2020 £ 000
Turnover	4	47,272	45,109
Cost of sales		<u>(24,270)</u>	<u>(20,057)</u>
Gross profit		23,002	25,052
Administrative expenses		<u>(29,160)</u>	<u>(28,851)</u>
Operating loss:			
Operating loss before exceptional costs	5	(6,158)	(3,799)
Exceptional costs	6	<u>(1,164)</u>	<u>(703)</u>
Operating loss		(7,322)	(4,502)
Interest payable and similar expenses	11	<u>(8,044)</u>	<u>(7,765)</u>
Loss before tax		(15,366)	(12,267)
Income tax recovery on loss	12	<u>677</u>	<u>(154)</u>
Loss for the financial year		<u>(14,689)</u>	<u>(12,421)</u>
Loss attributable to:			
Owners of the company		<u>(14,689)</u>	<u>(12,421)</u>

The notes on pages 24 to 51 form an integral part of these financial statements.

Smile Midco 2 Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2021

		(As restated (note 2))
	2021 £ 000	2020 £ 000
Loss for the year	<u>(14,689)</u>	<u>(12,421)</u>
Total comprehensive expense for the year	<u>(14,689)</u>	<u>(12,421)</u>
Total comprehensive expense attributable to:		
Owners of the company	<u>(14,689)</u>	<u>(12,421)</u>

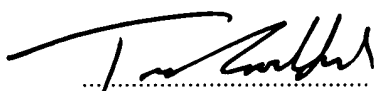
The notes on pages 24 to 51 form an integral part of these financial statements.

Smile Midco 2 Limited

(Registration number: 10848759)
Consolidated Balance Sheet as at 31 March 2021

			(As restated (note 2))
	Note	2021 £ 000	2020 £ 000
Fixed assets			
Intangible assets	13	59,305	68,717
Tangible assets	14	959	1,186
Other financial assets	16	7	7
		<u>60,271</u>	<u>69,910</u>
Current assets			
Debtors: amounts falling due after one year	17	3,077	2,483
Debtors: amounts falling due within one year	17	11,289	10,745
Cash at bank and in hand	18	4,684	4,396
		<u>19,050</u>	<u>17,624</u>
Creditors: Amounts falling due within one year	19	<u>(92,624)</u>	<u>(84,554)</u>
Net current liabilities		<u>(73,574)</u>	<u>(66,930)</u>
Total assets less current liabilities		(13,303)	2,980
Creditors: Amounts falling due after more than one year	19	(23,044)	(23,226)
Provisions for liabilities	21	<u>(2,019)</u>	<u>(3,564)</u>
Net liabilities		<u>(38,366)</u>	<u>(23,810)</u>
Capital and reserves			
Called up share capital	24	-	-
Other reserves	25	429	296
Profit and loss account		<u>(38,795)</u>	<u>(24,106)</u>
Equity attributable to owners of the company		<u>(38,366)</u>	<u>(23,810)</u>
Total equity		<u>(38,366)</u>	<u>(23,810)</u>

Approved and authorised by the Board on 21 July 2021 and signed on its behalf by:



T Crockford
Director

The notes on pages 24 to 51 form an integral part of these financial statements.

Smile Midco 2 Limited

(Registration number: 10848759)
Balance Sheet as at 31 March 2021

	Note	2021 £ 000	2020 £ 000
Fixed assets			
Investments	15	-	-
Current assets			
Debtors	17	72,353	65,866
Creditors: Amounts falling due within one year	19	<u>(72,398)</u>	<u>(65,888)</u>
Net current liabilities		<u>(45)</u>	<u>(22)</u>
Net liabilities		<u>(45)</u>	<u>(22)</u>
Capital and reserves			
Called up share capital	24	-	-
Profit and loss account		<u>(45)</u>	<u>(22)</u>
Total equity		<u>(45)</u>	<u>(22)</u>

The company made a loss after tax for the financial year of £23,000 (2020 - loss of £8,000).

Approved and authorised by the Board on 21 July 2021 and signed on its behalf by:



T Crockford
Director

The notes on pages 24 to 51 form an integral part of these financial statements.

Smile Midco 2 Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 March 2021

Equity attributable to the parent company

	Share capital £ 000	Other reserves £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 April 2020	-	296	(24,106)	(23,810)
Loss for the year	-	-	(14,689)	(14,689)
Movement in other reserves	-	133	-	133
At 31 March 2021	-	429	(38,795)	(38,366)

	Share capital £ 000	Other reserves £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 April 2019	-	142	(11,685)	(11,543)
Loss for the year (As restated (note 2))	-	-	(12,421)	(12,421)
Other comprehensive income	-	154	-	154
At 31 March 2020	-	296	(24,106)	(23,810)

The notes on pages 24 to 51 form an integral part of these financial statements.

Smile Midco 2 Limited

Statement of Changes in Equity for the Year Ended 31 March 2021

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2020	-	(22)	(22)
Loss for the year	-	(23)	(23)
At 31 March 2021	-	(45)	(45)

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2019	-	(14)	(14)
Loss for the year	-	(8)	(8)
At 31 March 2020	-	(22)	(22)

The notes on pages 24 to 51 form an integral part of these financial statements.

Smile Midco 2 Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

Minster Building
21 Mincing Lane
4th Floor
London
EC3R 7AG

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The consolidated financial statements include the results of all subsidiaries owned by Smile Midco 2 Limited as listed in note 15 of the annual financial statements. Certain of these subsidiaries, which are listed below, have taken the exemption from an audit for the year ended 31 March 2021 by virtue of s479A of Companies Act 2006. In order to allow these subsidiaries to take the audit exemption, the parent company Smile Topco Limited has given a statutory guarantee, in line with s479C of Companies Act 2006, of all the outstanding liabilities as at 31 March 2021, of the subsidiaries listed below, further details of which are provided in Smile Topco Limited accounts. The subsidiaries which have taken an exemption from an audit for the year ended 31 March 2021 by virtue of s479A Companies Act 2006 are:

UK Power Limited
Make it Cheaper Trustees Limited
Triple S Promotions Limited
Business Juice Limited
SK Utilities Limited

Smile Midco 2 Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

2 Accounting policies (continued)

Prior period restatement

In the prior year, the fair value of liabilities assumed upon acquisition of SK Utilities Limited was incorrectly understated in respect of the right of suppliers to clawback past commissions paid on energy contracts. The correction of this error has resulted in a £0.9m increase in the goodwill balance and an increase in the other creditors balance recognised in the consolidated balance sheet as at 31 March 2020. The consolidated profit and loss account for the year ended 31 March 2020 has been restated for an increase in administrative expenses of £65,000 due to the increase in goodwill recognised in the acquisition accounting and resultant increase in amortisation. The consolidated statement of cashflows for the year ended 31 March 2020 has also been restated for this matter although operating cashflows have remained the same as before the adjustment.

Going concern

The Group made a loss for the year of £14.7m (2020 - loss of £12.4m (restated)) and has net current liabilities of £73.6m (2020 - net current liabilities of £66.9m (restated)).

In determining whether the Group's annual financial statements can be prepared on a going concern basis, the Directors have considered the Group's business activities, together with the factors likely to affect its future development, performance and position, including the impact of the Covid-19 pandemic. The review also includes the financial position of the Company and the wider Group that the Company is part of, their short term and long-term cash flows, liquidity position and borrowing facilities. The Directors have considered the period up to and including November 2022 in making their assessment, as a detailed budget has been prepared through March 2022 and the reliability of renewal estimates gives a high degree of predictability beyond this period to March 2022.

The key factors considered by the directors in making the assessment of going concern were as follows:

- The implications of changes to the economic environment on the Group's revenues and profits, in particular, the resilience of SMEs to the economic environment, future pricing and forecast energy consumption. Consumption levels are expected to recover as the economy reopens, although no significant increase has been included in the forecasts. Live rates are being closely monitored and are expected to be consistent with historical levels with businesses starting to recover from the impact of Covid-19, and this has been factored into the forecasts.
- The underlying seasonality of the business and forecasts in respect of renewals revenue in Bionic which is highly predictable.
- The expected performance of the Business Comparison acquisition completed in May 2021.
- The £21.8m senior loan facility, £18.5m of which is not repayable until 2024 and £3.3m of which is repayable in instalments until September 2023. The facility is available for general corporate purposes including working capital and letters of credit and was drawn down in full in advance of the year end.
- Additional £7.5m senior facility drawn down in May 2021 to support the acquisition of Business Comparison which is repayable in instalments until September 2023.
- The availability of the revolver loan of £3.0m of which £3.0m is drawn at year end and is available until 2023 and to which no additional conditions are attached.
- Intercompany loan balances with other Group companies and the prospects for continued support from these companies throughout the going concern assessment period.
- Downside scenario models including the impact of further economic deterioration on liquidity and the covenants on the senior loan facility. This included consideration of mitigating actions available to management, and within management's control, in these scenarios and demonstrated an EBITDA reduction from management forecasts of 25% could be absorbed without covenants being breached.

Smile Midco 2 Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

2 Accounting policies (continued)

Having assessed the mitigating actions available and after making inquiries, the Directors are confident that the required deterioration in forecast EBITDA for a breach in the revised covenants is a remote possibility and therefore Group can continue as a going concern. For these reasons, the Directors continue to adopt the going concern basis for the preparation of these financial statements.

Exemptions for qualifying entities under FRS102

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 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

The information is included in the consolidated financial statements of Smile Topco Limited as at 31 March 2021 and these financial statements may be obtained from the registered office.

Basis of consolidation

The group consolidated financial statements include the financial statements of the company and all of its subsidiary undertakings.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit and loss arising on transactions with associates to the extent of the group's interest in the entity.

The group financial statements are presented in pounds sterling.

The company's functional and presentation currency is the pound sterling.

A separate Profit and Loss Account for the parent company has not been prepared as permitted by section 408 of the Companies Act 2006.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

- the significant risks and rewards of ownership have been transferred to the buyer;
- the company retains no continuing involvement or control over the goods;
- the amount of revenue can be measured reliably;
- it is probable that future economic benefits will flow to the entity; and
- when the specific criteria relating to each of the company's sales channels have been met, as described below.

Customer energy contracts

Turnover represents commissions earned and is recognised at the point at which a customer applies for a new contract. Commissions are calculated based on expected energy use by the business customer at agreed commission rates with the energy suppliers. At point of sales, provision is made for:

Smile Midco 2 Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

2 Accounting policies (continued)

- Possible variations between expected consumption and that used by suppliers for commission payment purposes where these differ; and
- Contracts that may fail to commence with suppliers or fail during the contract period.

Other customer contracts

Commissions relating to insurance contracts are recognised at the point at which a customer signs a new policy or renews a policy.

Commissions relating to finance contracts are recognised at the point at which the agreement is in place.

Government grants

Money transferred to the Group by the UK government, government agencies or similar bodies are recognised at fair value, when the Group is certain that the grant will be received. Grants are disclosed in the notes to the accounts.

Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued.

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable or measurable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value of the purchase consideration and directly attributable costs over the fair values to the group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units ('CGUs') that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life which is estimated to be 10 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the profit and loss account. No reversals of impairment are recognised.

Smile Midco 2 Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

2 Accounting policies (continued)

Intangible assets and amortisation

All intangible assets are initially recognised at cost and considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Software development - 4 years
Trademarks - 4 years
Customer lists - 2 years
Domain names - 10 years
Contractual relationships - individual

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Contractual relationships held by acquired subsidiaries are initially recognised at cost equal to their fair value and amortised across their useful life (3 years) which is determined by management based on the length of contract and the history of retention.

Tangible assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

Depreciation is charged at the following rates on a straight line basis to write off the cost over their estimated useful lives:

Fixtures and fittings - 25% straight line
Motor vehicles - 25% straight line
Office equipment - 25% straight line

The assets' residual values and useful lives are reviewed, and adjusted as appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Smile Midco 2 Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

2 Accounting policies (continued)

Investments in subsidiaries

Investments held as fixed assets are stated at cost less accumulated impairment losses.

The carrying value of fixed asset investments is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income in other operating expenses.

Cash

Cash and short-term deposits in the statement of financial position comprise cash at bank and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

i. Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Smile Midco 2 Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

2 Accounting policies (continued)

ii. Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts 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 payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

iii. Offsetting

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

iv. Hedging

The Group does not generally apply hedge accounting in respect of interest rate cap contracts held to manage the cash flow exposures of debt instruments.

Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Smile Midco 2 Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

2 Accounting policies (continued)

Share based payments

The group provides share-based payment arrangements to certain employees.

Equity-settled arrangements are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest.

Where equity-settled arrangements are modified, and are of benefit to the employee, the incremental fair value is recognised over the period from the date of modification to date of vesting. Where a modification is not beneficial to the employee there is no change to the charge for share-based payment. Settlements and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the profit and loss account.

The company has no employees and thus there is no charge in the profit and loss account for share-based payments.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into sterling at the rates of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Pension scheme

The company operates a defined contribution pension scheme and costs are expensed as incurred.

Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income in the year in which they are incurred.

Provisions

A provision is recognised when the group 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.

If a liability cannot be reliably measured or is not considered probable but possible and remains contingent it is disclosed as a contingent liability.

Smile Midco 2 Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

2 Accounting policies (continued)

Deferred tax

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates that are 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 the financial statements. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Leases

Operating leases

Rentals payable relating to operating leases are charged in profit and loss account on a straight line basis over the lease term. Lease incentives are recognised as a reduction to the expense on straight line basis over the lease term.

Hire purchase and finance leases

Assets held under finance leases are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

3 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Smile Midco 2 Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

3 Critical accounting judgements and estimation uncertainty (continued)

Revenue recognition (note 17)

a. Energy Live Rate

At point of sale agreement with a customer there is a chance that a meter that has been agreed to move to a new contract will not ultimately transfer. This is addressed by applying a Live Rate provision to revenue at the point of sale based on historical rates by type of business. Live rates are estimated based on rolling historic average of contracts sold that subsequently went live as measured by the expected go live date of the relevant contract. This historic measure is tracked monthly. Due to the unprecedented global pandemic the go-live rate of contracts pending at the prior year end was reduced below this average to reflect the increased difficulty of contacting customers during the lockdown and the higher potential failure rate of UK SMEs due to the UK governments national lockdown regulations.

b. Energy Consumption Provision Rate

The company invests significant time ensuring that the customer energy consumption data that is passed to suppliers, and is the basis of commission received, is accurate and measurable. However, across the course of an energy contract there remains potential for consumption to vary through e.g. change of business practices, energy efficiency initiatives or even change of tenancy leading to the end of a contract. To address these changes a consumption provision is applied to expected revenue at the point of sale based on historical levels of commission received by business type and by supplier. Cash received is also tracked against each individual contract and in aggregate according to the types of commercial arrangement agreed with suppliers. This ensures that as suppliers provide information throughout and at the end of the contract the provisions remain up to date and appropriate. In addition, an extra provision has been applied in the current year to estimate the impact on consumption of national and local lockdowns due to the COVID pandemic. To estimate the potential impact the customer base was assessed by SIC code and likely economic outcomes modelled and discussed with suppliers to align with their industry held data on customer consumption in key SIC codes to ensure an aligned approach.

Impairment of intangible assets (note 13)

Annually, the company considers whether intangible assets are impaired. Where an indication of impairment is identified due to, for example, a material change in the profitability or future performance potential of the business, the recoverable value must be estimated. This requires forecasting of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

Contingent consideration (note 21)

The SK Utilities Limited and Think Business Finance Limited acquisition agreements included contingent consideration elements where the consideration payable is dependent on the future performance of the business. In accounting for the acquisitions, an estimate must be made of the value of the contingent consideration. This requires forecasting of the future components of the contingent consideration calculations such as revenue, contracts sold and EBITDA as well as selection of an appropriate discount rate to calculate the present value of the payments. The key judgements are around the expected future performance of the business units which is estimated on year to date performance, plus run rating actions completed to date such as new systems implementations or ways of working changes and then the expected future key metrics and budgets of each business unit. The estimate is reviewed annually, and any adjustment recognised as a change in goodwill.

Smile Midco 2 Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

4 Revenue

The analysis of the group's revenue for the year from continuing operations is as follows:

	2021	2020
	£ 000	£ 000
Price comparison and switching services	<u>47,272</u>	<u>45,109</u>

All turnover arose within the United Kingdom.

5 Operating loss

Arrived at after charging/(crediting)

	2021	(As restated) 2020
	£ 000	£ 000
Depreciation expense	474	418
Amortisation expense	10,544	9,333
Operating lease expense	971	926
Loss on disposal of property, plant and equipment	18	16
Loss on disposal of intangible assets	<u>267</u>	<u>302</u>

6 Exceptional costs

	2021	2020
	£ 000	£ 000
Pre-acquisition write-down	1,164	-
Acquisition restructuring	-	508
Aborted acquisitions	<u>-</u>	<u>195</u>
	<u>1,164</u>	<u>703</u>

The pre-acquisition write down cost comprises the write down of the accrued revenue receivable relating to contracts sold by Triple S Promotions Limited and SK Utilities Limited prior to acquisition by the Group following the receipt of new information from energy suppliers as to their recoverability.

Acquisition restructuring costs relate to costs to integrate acquisitions into the Bionic group including redundancies, consultants and legal fees.

Aborted acquisition costs include due diligence and legal fees for an acquisition which was subsequently aborted by the group.

Smile Midco 2 Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

7 Auditors' remuneration

	2021 £ 000	2020 £ 000
Audit of these financial statements	20	6
Audit of the financial statements of subsidiaries of the company	138	134
	<u>158</u>	<u>140</u>
Other fees to auditors		
Tax compliance	42	40
Tax advisory	41	39
Corporate finance services	-	77
	<u>83</u>	<u>156</u>

The figures for auditors' remuneration for the company required by regulation 5(1)b of the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 are not presented as the consolidated financial statements comply with this regulation on a consolidated basis.

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2021 £ 000	2020 £ 000
Wages and salaries	20,340	19,176
Social security costs	2,088	2,014
Pension costs, defined contribution scheme	342	319
Share-based payment expenses	133	154
	<u>22,903</u>	<u>21,663</u>

Smile Midco 2 Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

8 Staff costs (continued)

The company had no employees during the year (2020 - none).

Staff costs of £1,455,000, included above, have been capitalised in the year (2020 - £1,616,000).

During the year the Group applied for and received £998,000 (2020 - nil) of government assistance under the Coronavirus Job Retention Scheme.

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2021 No.	2020 No.
Management	15	14
Sales	293	243
Finance and Business Information	20	14
Marketing	15	14
Human Resources	11	12
Operations	75	82
Information Technology	29	25
	<u>458</u>	<u>404</u>

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021 £ 000	2020 £ 000
Remuneration	645	835
Contributions paid to money purchase schemes	10	-
	<u>655</u>	<u>835</u>

Post employment benefits are accruing to two directors (2020 - two) under a defined contribution pension scheme. No directors were members of a defined benefit pension scheme (2020 - none).

No directors received share options in the parent's shares during the year (2020 - none). No directors exercised share options during the year (2020 - none).

In respect of the highest paid director:

	2021 £ 000	2020 £ 000
Remuneration	396	374
Company contributions to money purchase pension schemes	<u>-</u>	<u>-</u>

Smile Midco 2 Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

10 Share-based payments

Smile Topco share option scheme

The Group operates an equity-settled share-based payment scheme for its directors and employees. The scheme relates to shares in Smile Topco Limited.

Certain employees participate in the share option scheme based on length of service and their role within the business. The options vest in accordance with a vesting schedule for each employee and once vested, are exercisable on any future sale of the Smile group. Vesting is subject to continued employment within the group and meeting individual performance targets. The shares over which the options are held, are held as treasury shares by the Employee Benefit Trust, Make it Cheaper Trustees Limited. Make it Cheaper Trustees Limited holds 7,251,568 shares (2020 - 7,251,568) acquired for the nominal value of £7,252.

The movements in the number of share options during the year were as follows:

	2021 Number	2020 Number
Outstanding at start of year	8,831,068	10,089,815
Forfeited during the year	(19,435)	(925,607)
Exercised during the year	<u>-</u>	<u>(333,140)</u>
Outstanding at end of year	<u>8,811,633</u>	<u>8,831,068</u>

All share options have an exercise price of 1p.

The total expense recognised in profit or loss for the year was £133,000 (2020 - £154,000). The share options have been valued using a Black-Scholes option pricing model.

Smile Midco 2 Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

11 Interest payable and similar expenses

	2021 £ 000	2020 £ 000
Interest on bank overdrafts and borrowings	974	1,064
Interest on obligations under finance leases and hire purchase contracts	5	8
Other finance costs	579	780
Interest payable on loans from group undertakings	6,486	5,913
	<u>8,044</u>	<u>7,765</u>

12 Taxation

Tax charged/(credited) in the income statement

	2021 £ 000	2020 £ 000
Deferred taxation		
Arising from origination and reversal of timing differences	(262)	43
Adjustments in respect of previous periods	(415)	111
Total deferred taxation	<u>(677)</u>	<u>154</u>

The tax on losses before tax for the year is lower than the standard rate of corporation tax in the UK (2020 - lower than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £ 000	(As restated) 2020 £ 000
Loss before tax	<u>(15,366)</u>	<u>(12,267)</u>
Corporation tax at standard rate	(2,920)	(2,331)
Effect of non-deductible amortisation of goodwill and impairment	1,450	1,345
Effect of expense not deductible for tax purposes (other than goodwill)	186	242
Deferred tax adjustments from previous periods	(415)	111
Effect of group relief	1,181	1,010
Effect of adjustment in research and development tax credit	(159)	(223)
Total tax (credit)/charge	<u>(677)</u>	<u>154</u>

Smile Midco 2 Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

13 Intangible assets

Group

	Goodwill £ 000	Other intangibles £ 000	Contractual relationships £ 000	Software development £ 000	Total £ 000
Cost or valuation					
At 1 April 2020 (As restated)	76,851	512	3,165	8,182	88,710
Additions internally developed	-	-	-	2,498	2,498
Adjustments	(1,099)	-	-	-	(1,099)
Disposals	-	-	-	(267)	(267)
At 31 March 2021	<u>75,752</u>	<u>512</u>	<u>3,165</u>	<u>10,413</u>	<u>89,842</u>
Amortisation					
At 1 April 2020 (As restated)	16,030	172	2,637	1,154	19,993
Amortisation charge	<u>7,781</u>	<u>194</u>	<u>528</u>	<u>2,041</u>	<u>10,544</u>
At 31 March 2021	<u>23,811</u>	<u>366</u>	<u>3,165</u>	<u>3,195</u>	<u>30,537</u>
Carrying amount					
At 31 March 2021	<u>51,941</u>	<u>146</u>	<u>-</u>	<u>7,218</u>	<u>59,305</u>
At 31 March 2020	<u>60,821</u>	<u>340</u>	<u>528</u>	<u>7,028</u>	<u>68,717</u>

Adjustments to goodwill predominantly relate to changes in the estimation of contingent consideration.

Amortisation is included in Administrative Expenses.

The aggregate amount of research and development expenditure recognised as an expense during the period is £673,000 (2020 - £85,000).

Individually material intangible assets

CRM and online system

The carrying amount of this asset is £3,213,000 (2020 - £4,185,000) and the remaining amortisation period is 2.6 years (2020 - 3.6 years). The CRM online system enables Bionic to effectively deliver its services to its customers.

Smile Midco 2 Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

14 Tangible assets

Group

	Fixtures and fittings £ 000	Office equipment £ 000	Motor vehicles £ 000	Total £ 000
Cost or valuation				
At 1 April 2020	1,089	611	150	1,850
Additions	18	247	-	265
Disposals	-	(17)	(28)	(45)
At 31 March 2021	<u>1,107</u>	<u>841</u>	<u>122</u>	<u>2,070</u>
Depreciation				
At 1 April 2020	423	169	72	664
Charge for the year	267	169	38	474
Eliminated on disposal	-	(11)	(16)	(27)
At 31 March 2021	<u>690</u>	<u>327</u>	<u>94</u>	<u>1,111</u>
Carrying amount				
At 31 March 2021	<u>417</u>	<u>514</u>	<u>28</u>	<u>959</u>
At 31 March 2020	<u>666</u>	<u>442</u>	<u>78</u>	<u>1,186</u>

15 Investments

Company

	2021 £ 000	2020 £ 000
Investments in subsidiaries	<u>-</u>	<u>-</u>

Smile Midco 2 Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

15 Investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Principal activity	Class of share	Holding
Smile Bidco Limited	Holding company	Ordinary	100%
Bionic Services Group Limited*	Holding company	Ordinary	100%
Bionic Services Limited*	Price comparison and switching service	Ordinary	100%
Bionic Financial Services Limited*	FCA authorised general insurance broker	Ordinary	100%
UK Power Limited*	Price comparison and switching service	Ordinary	100%
Triple S Promotions Limited*	Price comparison and switching service	Ordinary	100%
SK Utilities Limited*	Price comparison and switching service	Ordinary	100%
Business Juice Limited*	Price comparison and switching service	Ordinary	100%
Think Business Finance Limited*	Price comparison and switching service	Ordinary	100%
Make it Cheaper Trustees Limited*	Employee benefit trust	Ordinary	100%
Make it Cheaper Group Limited*	Dormant	Ordinary	100%
Make it Cheaper Limited*	Dormant	Ordinary	100%
Make it Cheaper Financial Services Limited*	Dormant	Ordinary	100%

* indirect holding

The registered address of the subsidiary undertakings is Minster Building, 21 Mincing Lane, 4th Floor, London, EC3R 7AG.

Smile Midco 2 Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

16 Other financial assets

Group

**Total
£ 000**

Non-current financial assets

Carrying amount

At 31 March 2021 and 31 March 2020

7

17 Debtors

	Group		Company	
	2021	2020	2021	2020
	£ 000	£ 000	£ 000	£ 000
Due after more than one year				
Accrued income	<u>3,077</u>	<u>2,483</u>	<u>-</u>	<u>-</u>

		Group		Company	
		2021	2020	2021	2020
	Note	£ 000	£ 000	£ 000	£ 000
Due within one year					
Trade debtors		2,665	921	-	-
Amounts owed from group undertakings		829	429	72,353	65,866
Other debtors		288	415	-	-
Prepayments		674	669	-	-
Accrued income		6,036	8,191	-	-
Deferred tax assets	22	<u>797</u>	<u>120</u>	<u>-</u>	<u>-</u>
		<u>11,289</u>	<u>10,745</u>	<u>72,353</u>	<u>65,866</u>

18 Cash and cash equivalents

	Group		Company	
	2021	2020	2021	2020
	£ 000	£ 000	£ 000	£ 000
Cash at bank and in hand	<u>4,684</u>	<u>4,396</u>	<u>-</u>	<u>-</u>

Smile Midco 2 Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

19 Creditors

	Note	Group		Company	
		2021 £ 000	(As restated) 2020 £ 000	2021 £ 000	2020 £ 000
Due within one year					
Loans and borrowings	20	1,265	1,228	-	-
Trade creditors		3,938	3,423	-	-
Amounts due to group undertakings		72,649	65,954	72,398	65,880
Social security and other taxes		5,162	2,887	-	-
Other payables		1,643	1,929	-	-
Accruals and deferred income		6,264	5,980	-	8
Corporation tax		3	-	-	-
Deferred consideration		1,700	3,153	-	-
		<u>92,624</u>	<u>84,554</u>	<u>72,398</u>	<u>65,888</u>
Due after one year					
Loans and borrowings	20	23,044	22,190	-	-
Deferred consideration		-	1,036	-	-
		<u>23,044</u>	<u>23,226</u>	<u>-</u>	<u>-</u>

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

20 Loans and borrowings

	Group		Company	
	2021 £ 000	2020 £ 000	2021 £ 000	2020 £ 000
Non-current loans and borrowings				
Senior loans	20,044	21,111	-	-
Revolver loan	3,000	1,000	-	-
Finance lease liabilities	-	79	-	-
	<u>23,044</u>	<u>22,190</u>	<u>-</u>	<u>-</u>

Smile Midco 2 Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

20 Loans and borrowings (continued)

	Group		Company	
	2021	2020	2021	2020
	£ 000	£ 000	£ 000	£ 000
Current loans and borrowings				
Senior loans	1,200	1,200	-	-
Finance lease liabilities	65	28	-	-
	<u>1,265</u>	<u>1,228</u>	<u>-</u>	<u>-</u>

Senior loans

The Group's financing facility with Lloyds includes senior loans of £6m, £12m, £3.5m and £3m (2020 - £6m, £12m, £3.5m and £3m) which accrue interest quarterly based on a floating LIBOR rate. The loan of £6m is repayable in instalments until September 2023. The loans of £12m, £3.5m and £3m are repayable at the end of the term in September 2024.

Revolver loan

The Group's financing facility also includes a revolving credit facility of £3m (2020 - £3m) to cover working capital and liquidity commitments. £3m of the facility was drawn down at year end (2020 - £1m). The drawn down element accrues interest based on a floating LIBOR rate. The facility expires in September 2023.

21 Provisions for liabilities

Group	Contingent consideration	Other	Total
	£ 000	£ 000	£ 000
At 1 April 2020	3,375	189	3,564
Additional provisions	-	28	28
Provisions used	(488)	(23)	(511)
Unused provision reversed	(1,233)	(29)	(1,262)
Unwinding of discount	200	-	200
At 31 March 2021	<u>1,854</u>	<u>165</u>	<u>2,019</u>

Contingent consideration provision relates to recent acquisitions which is expected to be fully utilised by 2022. The other provisions are dilapidation costs on properties leased by the group, expected to be utilised by 2028, and customer cancellation provisions, expected to be utilised in the next 12 months.

Smile Midco 2 Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

22 Deferred tax

Group

	Deferred tax asset £ 000
At 1 April 2020	120
Profit and loss account	677
At 31 March 2021	<u>797</u>

The deferred tax asset is made up as follows:

	2021 £ 000	2020 £ 000
Fixed assets	(430)	(677)
Losses	1,227	889
Recognised on consolidation of intangible assets	<u>-</u>	<u>(92)</u>
	<u>797</u>	<u>120</u>

The net deferred tax asset is expected to reverse in the next 12 months.

23 Financial instruments

Financial risk management

The principal risks that the Group faces are liquidity risk and interest rate risk.

Liquidity risk

Through maintaining adequate reserves and the use of banking facilities, the Group manages its liquidity to ensure that sufficient cash is available to meet all contractual commitments as they fall due.

Liquidity risk is managed by continuously monitoring forecast and actual cash flows.

Interest rate risk

The Group is exposed to interest rate risk through its bank borrowings and manages its exposure through an interest rate cap. The loan notes are at a fixed interest rate.

Derivative financial instruments - interest rate swaps

The Group has entered into two interest caps to cap LIBOR at 1.5% on 46% of the senior loan and 0.5% on 21% of the senior loan. The maturity of the interest rate cap is in line with the maturity of the loan. The interest rate cap has a year end value of £nil (2020 - £nil).

Smile Midco 2 Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

24 Share capital

	2021 £ 000	2020 £ 000
Allotted, called up and fully paid		
1 (2020 - 1) Ordinary shares of £1 each	-	-

25 Reserves

Other reserves

Other reserves have arisen from the share based payment charge. The shares over which the options were issued are that of the parent company, Smile Topco Limited. However, the services provided by the employees are within the subsidiary, Bionic Services Limited and therefore the share based payment charge is added to the cost of the investment in the subsidiary. In the subsidiary, the charge is recognised in the profit and loss account and treated as a capital contribution from the parent entity within equity.

26 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £342,000 (2020 - £319,000).

27 Obligations under leases and hire purchase contracts

Group

Finance leases

The total of future minimum lease payments is as follows:

	2021 £ 000	2020 £ 000
Not later than one year	66	34
Later than one year and not later than five years	-	10
	<u>66</u>	<u>44</u>

Smile Midco 2 Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

27 Obligations under leases and hire purchase contracts (continued)

Operating leases

The total of future minimum lease payments is as follows:

	2021 £ 000	2020 £ 000
Not later than one year	1,035	1,047
Later than one year and not later than five years	2,415	3,422
	<u>3,450</u>	<u>4,469</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £971,000 (2020 - £926,000).

28 Contingent liabilities

Group

The Group has entered into a contract which contains a liability of up to £1.5m, payment of which is contingent on a change of control of the Group. As a change of control is not considered probable at the balance sheet date, no liability has been recognised.

29 Related party transactions

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the group.

30 Parent and ultimate parent undertaking

The company is a wholly owned subsidiary of Smile Midco 1 Limited, a company incorporated in England and Wales. The ultimate parent is Smile Topco Limited, a company incorporated in England and Wales, which is also the ultimate controlling party.

The most senior parent entity producing publicly available financial statements is Smile Topco Limited. These financial statements are available upon request from Minster Building, 21 Mincing Lane, 4th Floor, London EC3R 7AG.

Smile Topco Limited is owned by a number of private shareholders and companies, those whom own more than 20% of the issued share capital of the company are listed below.

Jonathan Elliott
ECI Partners

Smile Midco 2 Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

31 Non adjusting events after the financial period

On 14 May 2021, the Group acquired the entire share capital of Business Comparison Group Limited which provides direct marketing through a website for business comparison services. The acquisition was mainly funded through additional bank debt. The acquisition will add less than 10% to the EBITDA of the existing business.

On 14 July 2021 the Group purchased certain assets of Utility Exchange Online (trading as "Switch My Business") from the administrators of that company, including all book debts and their underlying customer database. The acquisition was mainly funded through the issuance of additional loan notes to shareholders. The acquisition will add less than 10% to the EBITDA of the existing business.

32 Business combinations

SK Utilities Limited

On 15 July 2019, acquired control of SK Utilities Limited through the purchase of 100% of the share capital for total consideration of £6,879,000. The goodwill of £10,161,000 arising from the acquisition is attributable to the acquired customer base, field operations and economies of scale expected from combining the operations into the Group.

Management have estimated the useful life of the goodwill to be 10 years. The following table summarises the consideration paid by the group, the fair value of the assets acquired and liabilities assumed at the acquisition date.

Smile Midco 2 Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

32 Business combinations (continued)

	Book value £ 000	Adjustments (As restated) £ 000	Fair value (As restated) £ 000
Assets and liabilities acquired			
Property, plant and equipment (a)	41	(41)	-
Cash and cash equivalents	125	-	125
Trade and other receivables (b)	2,132	(1,631)	501
Deferred tax asset (c)	-	181	181
Trade and other payables (d)	(1,244)	(1,654)	(2,898)
Loans and borrowings	(1,105)	-	(1,105)
Provisions	(87)	1	(86)
Total identifiable assets	<u>(138)</u>	<u>(3,144)</u>	<u>(3,282)</u>
Goodwill			10,161
Satisfied by:			
Cash			2,547
Contingent consideration			<u>4,332</u>
Total consideration transferred			<u>6,879</u>
Cash flow analysis:			
Cash consideration			2,307
Directly attributable costs			240
Less: cash and cash equivalent balances acquired			<u>(125)</u>
Net cash outflow arising on acquisition			<u>2,422</u>

The adjustments arising on acquisition were in respect of the following:

- (a) Write-off of assets;
- (b) Review of recoverability of receivables;
- (c) Deferred tax adjustment arising as a result of the acquisition adjustments; and
- (d) An increase in accruals in respect of staff commission and holiday pay, and supplier payments, as well as the potential clawbacks from energy suppliers.

There were no contractual agreements in place at acquisition which would meet the requirements for recognition as an intangible asset under FRS 102.

The revenue from SK Utilities Limited included in the consolidated statement of comprehensive income for the period to March 2020 was £1,317,000. SK Utilities Limited also contributed a loss of £438,000 over the same period.

Smile Midco 2 Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

32 Business combinations (continued)

Think Business Finance Limited

On 21 August 2019, acquired control of Think Business Finance Limited through the purchase of 100% of the share capital for total consideration of £4,561,000. The goodwill of £5,023,000 arising from the acquisition is attributable to the acquired customer base, broadening of the group's product offering, and operations of the business.

Management have estimated the useful life of the goodwill to be 10 years. The following table summarises the consideration paid by the group, the fair value of the assets acquired and liabilities assumed at the acquisition date.

	Book value £ 000	Adjustments £ 000	Fair value £ 000
Assets and liabilities acquired			
Property, plant and equipment (a)	18	(18)	-
Cash and cash equivalents	77	-	77
Trade and other receivables	40	-	40
Deferred tax asset (b)	-	60	60
Trade and other payables (c)	(257)	(151)	(408)
Loans and borrowings	(171)	-	(171)
Provisions	-	(60)	(60)
Total identifiable assets	<u>(293)</u>	<u>(169)</u>	<u>(462)</u>
Goodwill			5,023
Satisfied by:			
Cash			1,478
Contingent consideration			<u>3,083</u>
Total consideration transferred			<u>4,561</u>
Cash flow analysis:			
Cash consideration			1,279
Directly attributable costs			199
Less: cash and cash equivalent balances acquired			<u>(77)</u>
Net cash outflow arising on acquisition			<u>1,401</u>

The adjustments arising on acquisition were in respect of the following:

- (a) Write-off of assets;
- (b) Deferred tax adjustment; and
- (c) Recognition of dilapidation and clawback provision.

There were no contractual agreements in place at acquisition which would meet the requirements for recognition as an intangible asset under FRS 102.

Smile Midco 2 Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

32 Business combinations (continued)

The revenue from Think Business Finance Limited included in the consolidated statement of comprehensive income for the period to March 2020 was £2,608,000. Think Business Finance Limited also contributed a profit of £48,000 over the same period.

Castlegate 715 Limited

On 10 May 2019, acquired control of Castlegate 715 Limited through the purchase of 100% of the share capital for total consideration of £786,000. The goodwill of £1,095,000 arising from the acquisition is attributable to the acquired customer base.

Management have estimated the useful life of the goodwill to be 10 years. The following table summarises the consideration paid by the group, the fair value of the assets acquired and liabilities assumed at the acquisition date.

	Book value £ 000	Adjustments £ 000	Fair value £ 000
Assets and liabilities acquired			
Cash and cash equivalents	138	-	138
Trade and other receivables (a)	923	(11)	912
Deferred tax asset (b)	-	7	7
Trade and other payables (c)	(1,028)	(12)	(1,040)
Loans and borrowings	(326)	-	(326)
Total identifiable assets	<u>(293)</u>	<u>(16)</u>	<u>(309)</u>
Goodwill			<u>1,095</u>
Satisfied by:			
Cash			<u>786</u>
Cash flow analysis:			
Cash consideration			761
Directly attributable costs			25
Less: cash and cash equivalent balances acquired			<u>(138)</u>
Net cash outflow arising on acquisition			<u>648</u>

The adjustments arising on acquisition were in respect of the following:

- (a) Review of recoverability of receivables;
- (b) Deferred tax adjustment; and
- (c) Recognition of additional liabilities.

There were no contractual agreements in place at acquisition which would meet the requirements for recognition as an intangible asset under FRS 102.

The revenue from Castlegate 715 Limited and its subsidiary, Business Juice Limited, included in the consolidated statement of comprehensive income for the period to March 2020 was £nil. There was no revenue as the operations of the business were subsumed by Bionic Services Limited, its parent company. Castlegate 715 Limited and Business Juice Limited also contributed a profit of £1,000 to the consolidated income statement over the same period.