

Registered number:  
04499567

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**EXPONENTIAL-E LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JANUARY 2019**



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**EXPONENTIAL-E LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	L F Wade M Bavisi A Hobbins (Resigned 5 <sup>th</sup> March 2019) S Acott C Christou J Kyrillou H B Pepperall
<b>Registered number</b>	04499567
<b>Registered office</b>	100 Leaman Street London E1 8EU
<b>Independent auditor</b>	Grant Thornton UK LLP Chartered Accountants & Senior Statutory Auditor 30 Finsbury Square London EC2A 1AG
<b>Bankers</b>	Lloyds Bank Group plc Technology, Media and Telecoms Team 4th Floor 25 Gresham Street London EC2V 7HN
<b>Solicitors</b>	DAC Beachcroft LLP 100 Fetter Lane London EC4A 1BN

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**EXPONENTIAL-E LIMITED**

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## EXPONENTIAL-E LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 JANUARY 2019

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#### Business review

The directors are pleased to report another year of strong growth.

Turnover up **13.13%** to £130,660,850 (2018: £115,494,956)

Underlying EBITDA up **11.87%** to £32,174,940 (2018: £28,759,783)

Underlying Profit before Tax up **5.33%** to £18,838,866 (2018: £17,885,854)

When comparing our 2019 financial performance against 2018, it is important to consider the underlying growth. EBITDA consists of earnings before interest, tax, depreciation and amortisation. The Underlying EBITDA and Profit before tax has been further adjusted to deduct the supplier credit note for service level guarantees totalling £0.8m in 2019 and £7.4m in 2018. The 2018 financials were additionally impacted by expenses, where the timing of costs being incurred resulted in two years of costs being recognised in one year.

Our model of organic growth has seen our operating profit grow at CAGR (the compound annual growth rate over a 3 year period between 2015 and 2018) of 72.88%, resulting in our position in The Sunday Times Profit track 100 table improving from 89<sup>th</sup> position to its current position of **46<sup>th</sup>**:

#### The culture underpinning our success

Our success is driven by our **people** and our ability to invent and take **innovation** to market. We invest a tremendous amount of time, money and energy into these two areas and they underpin the culture we have carefully nurtured over many years.

We believe that an engaged, highly committed and motivated workforce is an essential part for delivering a world class customer service to our clients. And our teams deliver such levels of service to our customers across a wide portfolio of IT, voice and network infrastructure services. Our willingness to go the extra mile is testament to our teams' dedication, and rewards us with the reputation we have worked hard to achieve over the past 16 years as 'world class IT enablers' (Quote: BSi November 2017). Hence, we are pleased to see that our most recent live, real time Net Promoter Score of **70** sets us apart in our sector and the UK at the pinnacle of customer service leadership.

Applied Innovation is our logo strapline and combined with our people, we deliver on this year after year. During 2018, we worked hard to develop and launch our latest model '**The Software Defined Digital Platform**' (SD-DP) in January 2019 at The Ritz in London. This incorporates what we have called our 'Digital Transformation Toolbox' and we are confident that this new model will contribute to our on-going success. Prior to the formal, public launch, we have won many large private and public sector contracts with this services capability.

David Wang – a Washington based analyst specialising in SD-DP commenting on Exponential-e said; "To date, the firm's digital service endeavours have brought about rapid growth in terms of market, revenue, customer recognition, service partnership, vendor alliances, and employee career development." He reported that Exponential-e is in a leading position to reap great success in this market that he estimates to be \$700Bn during the next 5 years. (See his paper '2019 – the year of the SD-DP') (<https://www.telecomramblings.com/2018/12/2019-year-sd-digital-platform-sddp/>).

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## EXPONENTIAL-E LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 JANUARY 2019

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A significant contract win for us during the year was the 'Once for London' (OfL) NHS connectivity contract under the HSCN framework. This contract is for 1,500 circuits connecting hospitals and GP surgeries in three London regions (NW, SW & SE London) and is the culmination of our original investment into the HSCN framework during 2017. The NHS itself is moving all of its services to digital platforms. They see our digital network implementation as the first part of that investment prior to moving all of its services into cloud based infrastructure. We believe we shall be in a leading position with our SD-DP platform to help the NHS with their Digital Strategy.

#### **Principal risks and uncertainties**

In recent times, geo-political and macroeconomic factors have become more prevalent in the economy as a whole. This causes wider swings in uncertainty, volatility and business confidence which impacts our daily business. BREXIT is one such cause of uncertainty and our business was impacted during the year. We have taken measures to limit the impact of such exogenous factors, but these matters are not within our control. In spite of the impact BREXIT is having across the economy, we as a business have limited proportion of trade with the EU, our new business won may be impacted by the uncertainty within the market however we have a high proportion of contracted revenue which gives us confidence that we will continue to grow in line with our business plan for 2019-20.

There is always a technology risk with fast moving IT developments, hence the directors focus on the latest technology investments such as SD-DP, Cloud computing, Data Centre and security services in order to keep Exponential-e at the forefront of innovation in these key areas.

The Company uses financial instruments including loans and items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. The existence of these financial instruments exposes the company to a number of financial risks which are described in more detail below.

The main risks arising from the Company's financial instruments are price risk, currency, cash flow interest rate risk, liquidity risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised as follows. These policies have remained unchanged from previous years.

#### **Price risk**

The directors manage price risk by matching the prices of inputs to sales contracts where this is possible through the supply contracts.

#### **Currency risk**

The Company is exposed to translation and transaction foreign exchange risk arising from the purchase of a small number of circuits in US Dollars and Euros. As this risk relates to less than 2% of circuits purchased, any losses or gains are recognised as invoices are settled.

Over 99% of sales to customers are denominated in Sterling.

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## EXPONENTIAL-E LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 JANUARY 2019

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#### Cash flow interest rate risk

The Company finances its operations through a mixture of retained profits and bank borrowings. The bank finance is provided through a combination of overdraft and revolving credit facility whereby the interest is fixed for the period of each drawdown. The directors monitor interest rate trends and will consider interest rate management when appropriate.

#### Liquidity risk

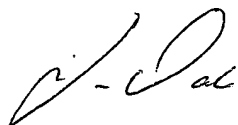
The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is achieved by overdraft and revolving credit facilities, which have been renewed post year end, offering £2m and £18m respectively for a 3 year period ending March 2022.

#### Credit risk

The Company's principal financial assets are cash and trade debtors. The credit risk associated with the cash is limited as the counterparties have high credit ratings. The principal credit risk arises, therefore, from its trade debtors.

In order to manage credit risk, the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history. The company's business is however widely distributed with no single customer contributing more than 2.4% (2018: 2.9%) of turnover.

This report was approved by the Board and signed on its behalf.



12-04-19

**L F Wade**  
CEO  
Date:

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## EXPONENTIAL-E LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 2019

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The directors present their report and the financial statements for the year ended 31 January 2019.

#### Results and dividends

The profit for the year, after taxation, amounted to £17,052,007 (2018: £20,083,306). Underlying Profit after tax 2019: £16,249,653 (2018: £13,341,233). The Underlying Profit after tax excludes a large one off supplier credit note for service level guarantees (£0.8m in 2019, £7.4m in 2018). Additionally the Underlying Profit after tax excludes a one-off expense of £0.7m where the timing of costs being incurred resulted in two years of costs being recognised in one year.

The Directors approved that a dividend of £1,500,000 should be accrued for the year (2018: £1,412,306). A follow up board meeting will be held at a future point in time to agree the record date and subsequent payment date.

#### Directors

The directors who served during the year were:

L F Wade  
M Bavisi  
A Hobbins (Resigned 5<sup>th</sup> March 2019)  
S Acott  
C Christou  
J Kyrillou  
H B Pepperall

#### Employee information

The company has an open policy on disseminating information to employees, and by way of example:

- The monthly sales and operational figures are published on the intranet, which is accessible to all.
- Financial information is made available monthly to managers, who are encouraged to share this information with their team.
- A monthly newsletter is circulated to all employees and customers.
- An annual presentation event is run where the Directors summarise the company's past performance and future plans as well as share the great employee achievements over the past year.
- A monthly pulse survey to encourage engagement across the business.

We run an employee engagement survey each year, then this is followed up by focus groups to discuss the key issues that the survey reveals. The comments made at these group meetings are then fed back to senior management on an anonymous basis and actions agreed.

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## EXPONENTIAL-E LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

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Exponential-e is keen on training its staff, and has the following programs in place:

- An academy where new recruits are identified and put through a full time training programme for 8 weeks.
- They are mentored throughout this programme and into their new roles within a Sales team, if successful.
- Current employees have management or skills training courses for them to attend
- All staff go through an annual review process where their progress is assessed, and that can discuss further job specific training
- Exponential-e sponsors staff who wish to acquire professional qualifications (such as ACCA).
- A training programme focused on delivering an enhanced customer service.

The company employs both internal and external trainers to run these courses.

#### **Disabled persons**

The company operates on an equal opportunities basis regarding employees with disabilities, and has made sure that the main offices at Leman Street have full disabled access and disabled washroom facilities.

#### **Going concern**

The financial statements report a net asset position of £38,135,578 (2018: £23,049,040)

In considering the going concern assumption, the Directors have reached their conclusion based on future trading forecasts as well as the balance sheet position at the date of signature of these financial statements.

By managing liquidity, the Company aims to ensure it can meet its financial obligations as and when they fall due. The financial statements have been prepared on a going concern basis, in support of which the Directors have reviewed the trading forecasts for the next twelve months from the date of signature of these accounts. As a result the Directors are confident that the assumptions underlying these forecasts are reasonable and that the Company will be able to operate on this basis.

#### **Financial risk management**

This has been included within the Strategic Report.

#### **Directors' responsibilities statement**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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.

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## EXPONENTIAL-E LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 to 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.

#### Disclosure of information to auditor

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

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

#### Post balance sheet events

An additional share buy back totalling 156,471 Ordinary shares, has been concluded post year end. Additionally, a new financing agreement with a total facility of £56,500,000 (including a term loan and revolving facility) was concluded post year end.

#### Auditor

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

#### Corporate governance

- The Board of Directors, so far as is practicable and to the extent appropriate, having regard for the size of the company, intends to continue to comply with the main provisions of the principles of good corporate governance. The company does not voluntarily adopt all the provisions of the Corporate Governance Code.

The Board holds regular meetings and is responsible for formulating, reviewing and approving the company's strategy, budgets, and major items of capital expenditure, key personnel appointments and key performance indicators. The company's financial key performance indicators include revenue, EBITDA and profit before tax.

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## EXPONENTIAL-E LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

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The non-financial key performance indicators include new business sign-ups, contract renewals and contract cancellations as well as network performance, provisioning times and customer satisfaction.

Finally, we operate the business within a disciplined managerial structure with procedural safeguards and counterchecks in accordance with our banking covenants and our commitment to three separate ISO standards:

**ISO 9001:2015 Quality Management Systems:**

This is one of the most sought after 'good corporate governance' accreditations. It is recognised globally for providing Quality Assured service to our customers.

**ISO 27001:2013 Information Security Management Systems:**

We are accredited to ensure our customers' information is managed with levels of confidentiality, security and integrity.

**ISO 20000:2011 Service Management System:**

Exponential-e provide world-class IT Service Management to our customers.

**ISO 22301:2012 Business Continuity Management System:**

This enables us to develop a best practice approach for reducing disruptions when continued operation is vital.

**ISO14001:2015 – Environmental Management System:**

This sets out the criteria for an EMS and to reduce waste management costs and demonstrate commitment to protecting the environment.

**ISO50001: 2011– Energy Management System:**

The enables an organisation to follow a systematic approach in achieving continual improvement of energy performance, including energy efficiency, energy security, energy use and consumption.

**ISO CSA STAR – Cloud Security**

Exponential-e is the first European CSP's to achieve CSA Star Certification from BSI. It provides our customers with the extra confidence that their data is fully protected by improving transparency and assurance within the Exponential-e Cloud.

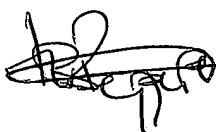
**BS10012: 2017 – Data Protection**

This certification supports our information governance strategy, helping us respond to immediate and future regulatory, legal, risk and operational requirements.

**NCSC: CAS-T**

Exponential-e is CAS-T certified by the National Cyber Security Centre, and is the only company in the UK to have CAS-T accreditation for HSCN.

This report was approved by the Board on 12 April 2019 and signed on its behalf.



**H B Pepperall**  
Director

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## EXPONENTIAL-E LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EXPONENTIAL-E LIMITED

#### Opinion

We have audited the financial statements of Exponential-e Limited (the 'company') for the year ended 31 January 2019, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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

#### Conclusions relating to going concern

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

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

#### Other information

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

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## EXPONENTIAL-E LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EXPONENTIAL-E LIMITED

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

We have nothing to report in this regard.

#### Opinions on other matters prescribed by the Companies Act 2006

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

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

#### Matter on which we are required to report under the Companies Act 2006

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

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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 for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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## EXPONENTIAL-E LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EXPONENTIAL-E 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.

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

#### 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.

A handwritten signature in black ink, appearing to read 'Simon Bevan', with a horizontal line underneath.

**Simon Bevan**  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
15 April 2019

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EXPONENTIAL-E LIMITED

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STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 JANUARY 2019

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	Note	2019 £	2018 £
Turnover	4	130,660,850	115,494,956
Cost of sales		(55,348,295)	(43,302,144)
<b>Gross profit</b>		<b>75,312,555</b>	72,192,812
Administrative expenses		(55,293,027)	(47,250,402)
<b>Operating profit</b>		<b>20,019,528</b>	24,942,410
Interest receivable and similar income		7,747	222
Interest payable and expenses	9	(386,055)	(314,705)
<b>Profit before tax</b>	5	<b>19,641,220</b>	24,627,927
Tax on profit	10	(2,589,213)	(4,544,621)
<b>Profit for the financial year</b>		<b>17,052,007</b>	20,083,306
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>17,052,007</b>	20,083,306

The notes on pages 17 to 35 form part of these financial statements.

EXPONENTIAL-E LIMITED

STATEMENT OF FINANCIAL POSITION  
AS AT 31 JANUARY 2019

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Intangible assets	11	2,240,490	590,992
Tangible assets	12	<u>46,401,606</u>	<u>37,787,833</u>
		<u>48,642,096</u>	<u>38,378,825</u>
 <b>Current assets</b>			
Stocks	14	813,409	301,896
Debtors: amounts falling due within one year	15	31,975,554	32,432,563
Cash and cash equivalents	16	<u>7,823,618</u>	<u>3,999,260</u>
		<u>40,612,581</u>	<u>36,733,719</u>
 Creditors: amounts falling due within one year	17	(24,976,865)	(25,395,365)
Deferred income	23	<u>(19,407,768)</u>	<u>(18,636,076)</u>
 <b>Net current liabilities</b>		<u>(3,772,052)</u>	<u>(7,297,722)</u>
 <b>Total assets less current liabilities</b>		<b>44,870,044</b>	<b>31,081,103</b>
 Creditors: amounts falling due after more than one year	18	<u>(6,521,548)</u>	<u>(7,500,000)</u>
		<u>38,348,496</u>	<u>23,581,103</u>
 <b>Provisions for liabilities</b>			
Deferred tax	22	<u>(212,918)</u>	<u>(532,063)</u>
		<u>(212,918)</u>	<u>(532,063)</u>
 <b>Net assets</b>		<u><u>38,135,578</u></u>	<u><u>23,049,040</u></u>
 <b>Capital and reserves</b>			
Called up share capital	24	40,358	40,351
Share premium account	25	1,060,382	1,026,108
Capital redemption reserve	25	14,969	14,719
Profit and loss account	25	37,019,869	21,967,862
 Shareholders' funds		<u><u>38,135,578</u></u>	<u><u>23,049,040</u></u>

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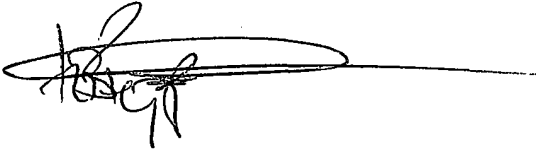
**EXPONENTIAL-E LIMITED**

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**STATEMENT OF FINANCIAL POSITION (CONTINUED)  
AS AT 31 JANUARY 2019**

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

A handwritten signature in black ink, appearing to read 'H B Pepperall', followed by a long horizontal line extending to the right.

**H B Pepperall**  
Director  
Date:

The notes on pages 17 to 35 form part of these financial statements.

**EXPONENTIAL-E LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 JANUARY 2019**

	<b>Called up share capital £</b>	<b>Share premium account £</b>	<b>Capital redemption reserve £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
At 1 February 2018	40,351	1,026,108	14,719	21,967,862	23,049,040
Profit for the year	-	-	-	17,052,007	17,052,007
<b>Total comprehensive income for the year</b>	-	-	-	17,052,007	17,052,007
Dividends declared	-	-	-	(1,500,000)	(1,500,000)
Share buy back	-	-	-	(500,000)	(500,000)
Shares issued during the year	257	34,274	-	-	34,531
Shares cancelled during the year	(250)	-	250	-	-
<b>At 31 January 2019</b>	<b>40,358</b>	<b>1,060,382</b>	<b>14,969</b>	<b>37,019,869</b>	<b>38,135,578</b>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 JANUARY 2018**

	<b>Called up share capital £</b>	<b>Share premium account £</b>	<b>Capital redemption reserve £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
At 1 February 2017	54,584	810,382	-	26,566,157	27,431,123
Profit for the year	-	-	-	20,083,306	20,083,306
<b>Total comprehensive income for the year</b>	-	-	-	20,083,306	20,083,306
Dividends declared	-	-	-	(1,412,306)	(1,412,306)
Share buy back	-	-	-	(23,269,295)	(23,269,295)
Shares issued during the year	486	215,726	-	-	216,212
Shares cancelled during the year	(14,719)	-	14,719	-	-
<b>At 31 January 2018</b>	<b>40,351</b>	<b>1,026,108</b>	<b>14,719</b>	<b>21,967,862</b>	<b>23,049,040</b>

The notes on pages 17 to 35 form part of these financial statements.

**EXPONENTIAL-E LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 JANUARY 2019**

	2019 £	2018 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	17,052,007	20,083,306
<b>Adjustments for:</b>		
Amortisation of intangible assets	469,725	403,908
Depreciation of tangible assets	11,884,317	9,575,425
Accelerated depreciation on tangible assets	603,724	580,113
Impairment of intangible assets	4,959	-
Interest paid	386,055	314,705
Interest received	(7,747)	-
Taxation charge	2,589,213	4,544,621
Decrease/(increase) in trade and other debtors	457,009	(9,752,393)
Decrease/(increase) in stocks	(511,513)	41,214
Increase/(decrease) in trade and other creditors	3,408,949	14,701,799
Income taxes paid	(4,670,259)	(2,177,246)
<b>Net cash generated from operating activities</b>	<u>31,666,439</u>	<u>38,315,452</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of tangible assets	-	-
Purchases of tangible assets	(21,101,814)	(16,547,879)
Purchases of intangible assets	(2,124,181)	(861,103)
Interest received	7,747	-
<b>Net cash from investing activities</b>	<u>(23,218,248)</u>	<u>(17,408,982)</u>
<b>Cash flows from financing activities</b>		
Share buy back	(500,000)	(23,269,295)
Issue of ordinary share capital	34,531	216,212
Bank loans drawn	-	18,000,000
Repayment of bank loans	(2,000,000)	(11,500,000)
Repayment of finance lease obligations	(360,000)	(170,738)
Interest paid	(386,055)	(314,705)
Dividends paid	(1,412,306)	(1,091,686)
<b>Net cash used in financing activities</b>	<u>(4,623,830)</u>	<u>(18,130,212)</u>
<b>Net increase in cash and cash equivalents</b>	<b>3,824,360</b>	<b>2,776,258</b>

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EXPONENTIAL-E LIMITED

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STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2019

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Cash and cash equivalents at the beginning of year	3,999,260	1,229,383
Foreign exchange translation adjustment	(2)	(6,381)
<b>Cash and cash equivalents at end of year</b>	<u><b>7,823,618</b></u>	<u><b>3,999,260</b></u>
Cash at bank and in hand	<u><b>7,823,618</b></u>	<u><b>3,999,260</b></u>

The notes on pages 17 to 35 form part of these financial statements.

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## EXPONENTIAL-E LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2019

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#### 1. General information

Exponential-e Limited is a private company limited by shares incorporated in England and Wales. Its registered head office is located at 100 Leman Street, London, E1 8EU. The principal activity of the business is to provide connectivity, cloud, unified communications, security, professional services and managed services.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The financial statements are presented in Sterling (£).

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

The following principal accounting policies have been applied:

##### 2.2 Going concern

These financial statements have been prepared on a going concern basis. The directors have prepared cash flow projections for the 12 month period following the date of signing and are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company forecasts and projections, which take into account reasonable possible changes in trading performance, show that the Company will be able to operate within the level of the current facilities. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

##### 2.3 Turnover

Turnover comprises revenue recognised by the Company in respect of goods and services supplied during the year, exclusive of Value Added Tax.

Turnover from installation activities is recognised reflecting the stage of completion of the service installation.

Turnover from contracted managed services is recognised evenly over the period in which the service is provided to the customer.

Deferred income comprises amounts invoiced to customers for services that had not been delivered by the reporting date.

Accrued income comprises amounts not invoiced to customers for services that had been delivered by the reporting date.

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## EXPONENTIAL-E LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2019

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#### 2. Accounting policies (continued)

##### 2.4 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Statement of Comprehensive Income over its estimated economic life, taken to be the average length of contracts acquired as part of the transaction.

Amortisation of intangible fixed asset is included in administrative expenses. The estimated useful life of development costs is 3 years based on the life cycle of technology development.

Amortisation of Software licencing is included in administrative expenses. As this is a perpetual licence the estimated useful life is in line with the Company's network infrastructure of 8 years.

##### 2.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- Period of lease
Network infrastructure	- 4 – 8 years
Office equipment	- 4 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

Tail circuits which are no longer used by our customers will incur an accelerated depreciation charge to reduce the net book value to £nil.

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## EXPONENTIAL-E LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2019

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#### 2. Accounting policies (continued)

##### 2.6 Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication of possible impairment. The recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated amount, and an impairment loss is recognised immediately in the Statement of Comprehensive Income.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Comprehensive Income.

##### 2.7 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Company. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease, or when the asset is brought into use, whichever occurs later. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor. The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

##### 2.8 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete stocks.

Stock consists of hardware that have been purchased for new customer contracts that are in the process of service transition. These items are held temporarily in stock, prior to either being capitalised or recorded in the Statement of Comprehensive Income. Within the accounts stock consists of goods for resale and work in progress.

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## EXPONENTIAL-E LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2019

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#### 2. Accounting policies (continued)

##### 2.9 Current and deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Research and development tax credits are recognised as a credit to the tax line of the Statement of Comprehensive Income.

##### 2.10 Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the Statement of Comprehensive Income.

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## EXPONENTIAL-E LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2019

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#### 2. Accounting policies (continued)

##### 2.11 Research and development

Research expenditure is charged to the Statement of Comprehensive Income in the period in which it is incurred.

Development costs are capitalised, as an intangible asset, when these costs can be separately identifiable and there is a high degree of certainty that future economic benefits will arise from the asset.

Amortisation is charged to administrative expenses so as to allocate the costs of assets, less their residual value, over their estimated useful lives, using the straight line method.

Amortisation is provided on the following basis:

Internally generated intangibles – 3 years

##### 2.12 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

##### 2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions held on call. Cash equivalents are highly liquid investments that mature in no more than three months and that are readily convertible to known amounts of cash with insignificant risk of change in value.

##### 2.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

##### 2.15 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.

##### 2.16 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

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## EXPONENTIAL-E LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2019

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#### 2. Accounting policies (continued)

##### 2.17 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as an expense and classified within interest payable.

##### 2.18 Employee remuneration

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

The group recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable, including employer's National Insurance and pension contributions, for the period of annual leave accrued.

##### 2.19 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

##### 2.20 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

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

##### Critical accounting judgements

###### Capitalised development costs

The Company capitalises costs associated with the development of new services and features to be offered to customers and on their internal infrastructure. These costs are capitalised once the Company believes that the conditions of FRS102 Section 18 have been met. Costs incurred in the development of projects that are subsequently terminated are recognised within the Statement of Comprehensive Income.

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## EXPONENTIAL-E LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2019

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#### 3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

##### Key sources of estimation uncertainty

###### Revenue recognition

The estimate for the stage of completion of service installations is based upon the historical installation periods of similar contracts. The Company reviews all installations that are not reflective of the historical installation periods separately. The revenue recognised in relation to such installations is adjusted accordingly.

###### Allowance for doubtful debts

The Company is required to judge when there is sufficient objective evidence to require the impairment of individual trade receivables. It does this on the basis of the age of the relevant receivables, external evidence of the credit status of the customer and status of any disputed amounts.

###### Allowance for credit notes

The Company recognises a credit note provision based on the historical trends that have occurred.

###### Depreciation and Amortisation

The Directors have applied amortisation and depreciation policies which are summarised in Note 2.4 and 2.5 that they consider match the useful life of the assets as follows:

- Core infrastructure and tail circuits is written off over 7 to 8 years. Items that have been taken out of use, such as inactive circuits, are fully written off.
- Equipment placed at the customers' premises is written off over 4 years to reflect the higher risk, however it is recovered if a customer cancels, and if a contract continues, its life will be extended.
- All storage, computer and other cloud computing, security assets are written off over 4 years in order to match the pace of technology changes with these items.
- City Fibre finance lease is depreciated over the 20 years of the lease contract to reflect the period over which the Company can obtain economic benefit from the asset.

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EXPONENTIAL-E LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2019

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**4. Turnover**

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	125,434,416	114,696,631
Rest of the world	5,226,434	798,325
	<u>130,660,850</u>	<u>115,494,956</u>

**5. Profit before taxation**

The profit before taxation is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets	11,884,317	9,575,425
Accelerated depreciation on tail circuits	603,724	580,113
Amortisation of intangible assets	469,725	403,908
Difference on foreign exchange	79,959	(73,033)
Operating lease rental	4,679,379	2,788,975
Settlement for service credits	<u>(802,354)</u>	<u>(7,437,889)</u>

The settlement for service credits is a one-off transaction relating to breaches by a large supplier to their Service Level Guarantee agreement and has been recognised within Cost of Sales.

**6. Auditor's remuneration**

	2019 £	2018 £
Audit related assurance services	-	2,500
Fees payable to the company's auditors and its associated for the audit of the Company's annual accounts	<u>90,000</u>	<u>86,000</u>
Tax compliance services not included above	9,500	8,000
All other taxation advisory services not included above	<u>62,000</u>	<u>65,000</u>

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**EXPONENTIAL-E LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2019**

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**7. Employees**

Staff costs, including directors' remuneration, were as follows:

	2019	2018
	£	£
Wages and salaries	29,887,760	25,495,555
Social security costs	3,506,574	3,150,591
Other pension costs	722,342	604,848
	<u>34,116,676</u>	<u>29,250,994</u>

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

	2019	2018
	No.	No.
Sales & sales administration	193	168
Service delivery & engineering	228	184
Management & administration	85	80
	<u>506</u>	<u>432</u>

**8. Directors' remuneration**

	2019	2018
	£	£
Directors' emoluments	1,868,385	1,652,759
Company contributions to defined contribution pension schemes	30,550	26,062
	<u>1,898,935</u>	<u>1,678,821</u>

During the year retirement benefits were accruing to 5 directors (2018 – 5) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £476,271 (2018 - £397,093).

The directors of the Company represent the key management personnel.

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EXPONENTIAL-E LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2019

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**9. Interest payable and similar charges**

	2019 £	2018 £
Bank Interest Payable	<u>386,055</u>	<u>314,705</u>

**10. Taxation**

	2019 £	2018 £
<b>Current Tax</b>		
UK corporation tax at 19% (Prior year 19.16%)	3,386,593	3,867,873
Adjustments in respect of previous periods	(478,235)	354,308
<b>Total current tax</b>	<u>2,908,358</u>	<u>4,222,181</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(311,116)	352,459
Adjustments in respect of prior periods	(8,029)	(30,019)
Effect of tax change on opening balance	-	-
<b>Total deferred tax</b>	<u>(319,145)</u>	<u>322,440</u>
<b>Taxation on profit on ordinary activities</b>	<u>2,589,213</u>	<u>4,544,621</u>

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EXPONENTIAL-E LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2019

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10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 – lower than) the standard rate of corporation tax in the UK of 19% (2018 – 19.16%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>19,641,220</u>	<u>24,627,927</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19.16%)	3,731,832	4,719,116
Effects of:		
Fixed asset differences	9,014	227,824
Expenses not deductible for tax purposes	26,903	57,824
Other permanent differences	(90,449)	(88,062)
Additional deduction for R&D expenditure	(638,426)	(651,553)
Adjustments to tax charge in respect of prior periods	(478,235)	354,308
Adjustments to tax charge in respect of prior periods - deferred tax	(8,029)	(30,019)
Adjust closing deferred tax to average rate of 19%	(25,049)	(67,655)
Adjust opening deferred tax to average rate of 19%	61,652	22,838
Total tax charge for the year	<u>2,589,213</u>	<u>4,544,621</u>

Reductions in the UK Corporation tax rates were enacted in November 2015. These reduced the main rate from 20% to 19% from 1 April 2017 and down to 18% from 1 April 2020.

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**EXPONENTIAL-E LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2019**

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**11. Intangible assets**

On 1 August 2014, Exponential-e acquired the trade, staff and contracts of Next Dimension Technology Limited for £440,000. The entire consideration has been included as goodwill and amortised over three years.

Internally generated intangibles represent capitalised development costs.

Software licencing represents a transactional licence agreement which grants Exponential-e the right to deploy and use a volume of 31,627 Service Assurance Suite software licences on a perpetual basis providing these are deployed by 30<sup>th</sup> January 2023. This will be assessed at the end of each reporting period whether there is any indication that the asset may be impaired.

	Internally generated intangibles £	Goodwill £	Software licencing £	Total £
<b>Cost</b>				
At 1 February 2018	668,303	822,262	-	1,490,565
Additions	780,655	-	1,343,526	2,124,181
At 31 January 2019	<u>1,448,959</u>	<u>822,262</u>	<u>1,343,526</u>	<u>3,614,747</u>
<b>Amortisation</b>				
At 1 February 2018	77,311	822,262	-	899,573
Charge for the year	278,078	-	191,647	469,725
Impairment	4,959	-	-	4,959
At 31 January 2018	<u>360,348</u>	<u>822,262</u>	<u>191,647</u>	<u>1,374,257</u>
<b>Net book value</b>				
At 31 January 2019	<u>1,088,611</u>	<u>-</u>	<u>1,151,879</u>	<u>2,240,490</u>
At 31 January 2018	<u>590,992</u>	<u>-</u>	<u>-</u>	<u>590,992</u>

EXPONENTIAL-E LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2019

12. Tangible fixed assets

	Leasehold improvements £	Network infrastructure £	Office equipment £	Total £
<b>Cost or valuation</b>				
At 1 February 2018	653,991	70,739,263	1,262,937	72,656,191
Additions	10,545	20,856,959	234,310	21,101,814
Disposals	-	(1,790,957)	-	(1,790,957)
At 31 January 2019	<u>664,536</u>	<u>89,805,265</u>	<u>1,497,247</u>	<u>91,967,048</u>
<b>Depreciation</b>				
At 1 February 2018	311,028	33,640,196	917,134	34,868,358
Charge for the year	160,240	11,539,382	184,695	11,884,317
Disposals	-	(1,187,233)	-	(1,187,233)
At 31 January 2019	<u>471,268</u>	<u>43,992,345</u>	<u>1,101,829</u>	<u>45,565,442</u>
<b>Net book value</b>				
At 31 January 2019	<u>193,268</u>	<u>45,812,920</u>	<u>395,418</u>	<u>46,401,606</u>
At 31 January 2018	<u>342,963</u>	<u>37,099,067</u>	<u>345,803</u>	<u>37,787,833</u>

Network infrastructure assets with a carrying value of £1,869,725 (2018: £nil) are held under finance leases.

Disposals relate to the accelerated depreciation of tail circuits of £603,724 (2018: £580,113) which are then written off when not in use.

13. Fixed asset investments

Direct subsidiary undertakings:

The following are subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principle activity
Exponential Networks Limited	Ordinary	100%	Dormant

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EXPONENTIAL-E LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2019

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**14. Stocks**

	2019 £	2018 £
Finished goods and goods for resale	388,917	222,073
Work in progress	424,492	79,823
	<u>813,409</u>	<u>301,896</u>

Stock recognised in cost of sales during the period as an expense was £23,511.

**15. Debtors**

	2019 £	2018 £
Trade Debtors	16,174,973	22,200,584
Accrued Revenue	2,692,439	1,351,759
Other Debtors	1,821,692	487,219
Prepayments	11,286,450	8,393,000
	<u>31,975,554</u>	<u>32,432,563</u>

An impairment loss of £739,653 (2018: £807,637) was recognised against trade debtors, representing recognised losses of £587,850 and an increase to the allowance for doubtful debts of £151,803.

**16. Cash and cash equivalents**

	2019 £	2018 £
Cash and cash equivalents	<u>7,823,618</u>	<u>3,999,260</u>

**17. Creditors: Amounts falling due within one year**

	2019 £	2018 £
Bank loans and overdraft	2,000,000	2,000,000
Trade creditors	10,939,197	11,169,557
Dividends payable	1,500,000	1,412,307
Corporation tax	1,028,507	2,790,409
Other taxation and social security	1,051,070	1,390,736
Other creditors	1,881,102	1,702,178
Finance leases	496,000	-
Accruals	6,080,989	4,930,178
	<u>24,976,865</u>	<u>25,395,365</u>

Further details are summarised in Note 19 in relation to the bank loans.

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EXPONENTIAL-E LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2019

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**18. Creditors: Amounts falling due after more than one year**

	2019 £	2018 £
Bank loans	5,500,000	7,500,000
Finance Lease	1,021,548	-
	<u>6,521,548</u>	<u>7,500,000</u>

Further details are summarised in Note 19 in relation to the bank loans and in Note 20 in relation to finance lease.

**19. Borrowings**

The bank loans are secured by a fixed and floating charge over the assets held by the Company. The Company entered into a new financing agreement on 21<sup>st</sup> August 2017 for a 3 year period, ending 20<sup>th</sup> August 2020. As a result of this, the Company has the following loan facilities at its disposal; a £2m overdraft facility; a £16m revolving credit facility; and a term loan of £10m. Interest is charged at 1.75% above LIBOR.

The post year end refinancing details are summarised in Note 30.

Analysis of the maturity of loans is given below:

	2019 £	2018 £
Amounts falling due within one year	<u>2,000,000</u>	<u>2,000,000</u>
Amounts falling due 2-5 years	<u>5,500,000</u>	<u>7,500,000</u>

**20. Finance leases**

Minimum lease payment under hire purchase fall due as follows:

	2019 £	2018 £
Not later than 1 year	496,000	-
Later than 1 year and not later than 5 years	392,000	-
Later than 5 years	629,548	-
	<u>1,517,548</u>	<u>-</u>

On the 31st January 2018 the Company entered into a 20 year non-cancellable commitment. This provides the Company with an indefeasible right of use of dark fibre which is core to our network infrastructure. The last connection under the agreement was installed in December 2018 at which point the finance lease liability and subsequent asset was recognised.

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EXPONENTIAL-E LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2019

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**21. Financial instruments**

Financial assets measured at amortised cost were £17,996,666 (2018: £22,687,804) and financial liabilities measured at amortised cost were £25,417,424 (2018: £27,965,188).

**22. Deferred taxation**

	2019 £	2018 £
At the beginning of year	532,063	209,623
Charged to the profit or loss	(319,145)	322,440
<b>At end of year</b>	<b>212,918</b>	<b>532,063</b>

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	234,130	551,992
Short term timing differences	(21,212)	(19,929)
	<b>212,918</b>	<b>532,063</b>

The rate of UK corporation tax changed from 20% to 19% at 31 March 2018. As deferred tax assets and liabilities are measured at the rates that are expected to apply in the periods of the reversal. The unrecognised deferred tax liability is computed at a rate of 17% reflecting the fact that the balances are proposed to be utilised post 1 April 2020. The amount of the net reversal of deferred tax expected to occur next year is £ 216,447 relating to the reversal of existing timing differences on tangible fixed assets.

**23. Deferred income**

	2019 £	2018 £
Deferred income	19,407,768	18,636,076

The company invoices customers in advance of the service period, in line with industry practice. The deferred income at the accounts date represents the billing for services to be delivered after the Statement of Financial Position date, or installation services billed to customers in advance of the service being handed over.

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## EXPONENTIAL-E LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2019

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#### 24. Share capital

	2019 £	2018 £
<b>Shares classified as equity</b>		
<b>Authorised, allotted and fully paid</b>		
746,773 ( 2018 - 742,373) Ordinary 'A' shares of £0.05 each	37,339	37,119
60,370 (2018 - 64,659) Ordinary 'B' shares of £0.05 each	3,019	3,233
	<u>40,358</u>	<u>40,351</u>

During the year, 4,400 Ordinary 'A' and 711 Ordinary 'B' share options were exercised (2018: 7,200).

At 31 January 2019, options over 13,250 (2018: 17,650) Ordinary A shares were outstanding under the Company Share Option Plan an approved option scheme. 8,233 options were issued on 27 April 2015 at a price of £7.20. 650 options were issued on 4 August 2016 at a price of £30. 10,000 shares were issued between 13 January 2017 and 10 February 2017 at a price of £30. 1,233 options have lapsed. These expire between 2025 and 2027. The directors do not consider the fair value of these options to be material to the Company. The fair value of share options has been based on the share price of recent transactions. The fair values were compared to the Black Scholes model and there was no significant differences.

At 31 January 2019, options over 4,628 (2018: 5,878) Ordinary B shares were outstanding under the Enterprise Management Incentive Scheme and an unapproved option scheme. These can be exercised at a price of £2.50. These remaining options expire between 2018 and 2022. The directors do not consider the fair value of these options to be material to the Company.

Ordinary 'A' shares carry one voting right per share and all shares rank pari passu for dividends and other distributions. Ordinary 'B' shares are non-voting ordinary shares.

The Company concluded a share buyback during the year. 5,000 Ordinary B shares were repurchased for a total consideration of £500,000.

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## EXPONENTIAL-E LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2019

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#### 25. Reserves

##### **Called up share capital**

This represents the nominal value of shares that have been issued.

##### **Share premium**

This includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

##### **Profit & loss account**

This includes all current and prior period retained profits and losses.

##### **Capital redemption reserve**

This represents shares that have been repurchased by the Company.

#### 26. Dividends

	2019 £	2018 £
Dividends accrued	<u>1,500,000</u>	<u>1,412,306</u>

The Directors approved that a dividend of £1,500,000 should be accrued for the year. A follow up board meeting will be held at a future point in time to agree the record date and subsequent payment date.

Dividends of £1,412,306 (2018: £1,091,686) were paid during the year.

#### 27. Retirement benefits

The Company operates a defined contribution pension scheme for the benefit of employees. The assets of the scheme are administered by trustees in a fund independent from those of the Company. The contributions payable by the company to the scheme during the year amounted to £722,342 (2018: £604,848). At 31 January 2019 £124,788 (2018: £108,814) was owing to the scheme from the Company.

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## EXPONENTIAL-E LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2019

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#### 28. Commitments under operating leases

At 31 January 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	5,229,224	3,298,547
Later than 1 year and not later than 5 years	11,280,060	6,790,221
Later than 5 years	<u>977,451</u>	<u>-</u>

#### 29. Related party transactions

The Company paid a total consideration of £500,000 (2018: £2,549,838) to related parties as part of the share buy back.

The Company made a £1,500,000 loan to a related party in relation to a share buyback. The loan of £1,500,000 was repaid on 05/03/2019 and was outstanding at year end.

The Company was charged £371,668 (2018: £427,930) in relation to other related parties.

#### 30. Post balance sheet events

The Company concluded a share buy back agreement on 5<sup>th</sup> March 2019, purchasing 156,471 shares for a total consideration of £30,000,185.

As per the agreement Exponential-e has the option to purchase from the vendor shareholders the remaining 51,503 Ordinary shares and the 853 B Ordinary shares for a consideration of £191.73 for each Option Share. This option can be exercised at any time up until the 31 December 2020.

As a result of the share buy back, the Company entered into a new financing agreement on 4<sup>th</sup> March 2019 for a 3 year period ending 3<sup>rd</sup> March 2022. This was financed jointly by HSBC and Lloyds, with Lloyds acting as the agent. The total facility included a term loan of £36,500,000 and a revolving facility of £20,000,000. Interest is charged depending on leverage between the ranges of 1.10% - 2.10% above LIBOR.

The bank loans are secured by a fixed and floating charge over the assets held by the Company. The first principal repayment is on 30<sup>th</sup> April 2019 for £925,000 and each subsequent quarter, with the balance due at the end of the 3 year period.