

Company Registration No. 05653869

**Content Guru Limited**

**Annual report and financial statements**

**for the year ended 31 December 2018**



# Content Guru Limited

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# **Content Guru Limited**

## **Company information**

**Directors**                      S Z Taylor (Chairman)  
   P M H Taylor  
   J P Taylor

**Secretary**                      P M H Taylor

**Registered office**              Radius Court  
   Eastern Road  
   Bracknell  
   Berkshire  
   RG12 2UP

**Bankers**                          Barclays Bank  
   Crowthorne Branch  
   Bracknell Group  
   PO Box 61  
   Bracknell  
   Berkshire  
   RG12 1GS

**Solicitors**                        Osborne Clarke  
   Apex Plaza  
   Forbury Road  
   Reading  
   Berkshire  
   RG1 1AX

**Auditor**                          Ernst & Young LLP  
   Apex Plaza  
   Reading  
   Berkshire  
   RG1 1YE

# Content Guru Limited

## Strategic report

The directors present their Strategic report and the affairs of the Company for the year ended 31 December 2018.

### PRINCIPAL ACTIVITIES

The Company is wholly owned by Redwood Technologies Group Ltd (Group).

The principal activity of the Company continues to be the provision of Cloud Communications Integration™ services, which are services that connect people or internet-enabled devices to information systems via the Cloud.

### STRATEGIC REVIEW

The Company's core Communications Integration product is its Cloud Contact Centre and Customer Engagement Hub portfolio, which it sells to both enterprise and public sector customers. Services are run on its storm® Cloud infrastructure. The Company sells its services both through an indirect channel of resellers (for more standardised services) and directly (for more complex bespoke solutions). There has not been any significant change in the principal activities during the year.

The directors are pleased to be able to report a strong year for revenue and profit.

Revenues from recurring Cloud seat fees increased by 36% compared with the previous fiscal year. This is a combination of sales to new customers and the expansion of services supplied to existing customers.

Gross profit margin levels remain consistent at 57% (2017: 53%), whilst turnover has increased by 12% (2017: 29%). Administrative expenses (excluding share-based payment charges) increased by 45% during the year (2017: 29%). A significant percentage of the cost increase is due to a 41% increase in average headcount to support the growth of the business. As a result of this significant investment EBITDA (before share-based payment charge) decreased to £1.2m (2017: £2.1m).

Profit before tax for the year was £817,435 (2017: £1,723,411). As in previous years profits have been balanced against continued investment to ensure long-term sustainability for the Company. The position of the Company at the year-end is set out in the Balance Sheet on page 12.

Summarising the accounts:

Turnover – this increased by 12% to £16,838,937 (2017: £14,971,049)

Gross profit – this ended 22% higher at £9,621,359 (2017: £7,860,756)

EBITDA (before share-based payment charge) – this ended 44% lower at £1,188,692 (2017: £2,125,174)

Retained profit – retained profits amounted to £647,581 (2017: £1,396,423)

Dividends - no dividend has been proposed for the year (2017: £nil)

### KEY PERFORMANCE INDICATORS

The Company must contribute to Group's KPIs.

A Group key performance indicator (KPI) is to run on a '20:20:10' basis, which is broken down as follows:

20 – A target of above 20% revenue growth for the year

20 – A target of 'normalised' EBITDA of 20% of overall revenues, where 'normalised' removes investment costs for new territories

10 - A target of 'normalised' EBIT of 10% of overall revenues, where 'normalised' removes investment costs for new territories

Subsidiaries (e.g. Content Guru Ltd, Redwood Technologies Ltd) within Group may deviate from the 20:20:10 rule, but not to a significant degree.

# **Content Guru Limited**

## **Strategic report (continued)**

Recurring revenues, rather than one-off, are of primary importance. Recurring revenues comprise income earned through services contracts with a duration of one year or more and constitute the seat/licence fees and/or usage fees for those services. Group offers three-year services contracts as a default. Seat fees have increased 36% to £10.45m from a combination of sales to new customers and the expansion of services supplied to existing customers.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

Principal risks and uncertainties are the same for the Company as for Group.

Group continually monitors both the business and markets that it operates in. Key risks are considered to be market demand, alternative technological innovations, competitors and external economic factors.

Group runs a rolling three-year business plan (the Business Plan), which it refreshes annually in the first quarter of the fiscal year. The Business Plan provides strategic planning, including product development, infrastructure investment, sales and marketing activities and financial requirements to support those activities. It evaluates risks and uncertainties for Group, plus new opportunities, which it factors in to its planning.

Market demand for Group's products continues to be strong, with services such as cloud contact centre growing. The high-growth marketplace has led to increased competition as new entrants seek to establish a position and existing competitors look to grow through acquisition and/or additional funding. Group will continue to ensure its products and services are best-in-class and constantly monitor its pricing position.

At a macro-economic level, Brexit continues to be a concern. In order to provide contingency should a post-Brexit situation prove commercially unfavourable to Group's UK businesses, in January 2017 Group established a new 100% owned subsidiary, Content Guru Europe Limited, in the Republic of Ireland.

Group's continued expansion into markets outside the UK expose it to a number of financial risks including credit risk, foreign currency risk and liquidity risk. It continues to balance its cost and revenues in non-Sterling currencies to minimise the effect of currency variations. Group does not use foreign exchange forward contracts to hedge the profit element derived from non-Sterling currencies.

Group's credit risk is primarily attributable to its trade debtors, which is mitigated by upfront payments for projects, credit limits set by reference to credit rating agencies and close monitoring of each customer's account. The liquidity risk is minimised by Group's policy of maintaining cash surpluses and minimising debt.

Group will also continue to monitor new market opportunities such as AI (Artificial Intelligence) to ensure the long-term success of the business.

A continued internal focus will be on ensuring that the organisation is able to manage its growth carefully. Good technical infrastructure and processes are in place to enable this to occur. A good Quality Management System (QMS) is in place and key entities within Group are certified to both ISO9001 (quality) and ISO27001 (security), as well as holding ISO14001 (environmental) accreditation. The QMS covers security as well as knowledge credentials for new hires and formal training processes. The Company needs to ensure that it continues to hire high-calibre colleagues and does not compromise its standards because of growth pressures.

### **CORPORATE AND SOCIAL RESPONSIBILITY**

The Company aims to ensure that its colleagues work in a happy and secure environment. It manages work-skills and Health and Safety training through its Quality Management System. Weekly team-leader updates and quarterly all-company updates in conjunction with internal newsletters are designed to ensure that colleagues are informed about the status of the Company and can provide feedback on suggested business improvements or areas of concern.

Externally Group is involved with a number of organisations to ensure it has good general input regarding business or environmental matters. It is a founder member and organiser of Berkshire Community Foundation's Business Philanthropy Club. One of its directors, Sean Taylor, is a Deputy Lieutenant for the Royal County of Berkshire, a Vice President of Berkshire Community Foundation and President of Bracknell Athletics Club. Another director, Martin Taylor, sits on the Advisory Board of the Department of Management, King's College London. The Company is a member of the CBI (Confederation of British Industry) and has directors sitting on the CBI's AI Working Group and

## **Content Guru Limited**

### **Strategic report (continued)**

Intellectual Property committees. At a local level the Company organises the Pride of Bracknell Awards, celebrating achievements in charitable and voluntary causes, education and health and sport.

#### **FUTURE DEVELOPMENTS**

The Company has built considerable financial resources through a policy of measured and profitable expansion and the directors believe that the Company is well prepared for the coming financial year.

Approved by the Board of Directors and signed on behalf of the Board.

A handwritten signature in black ink, appearing to be 'S Z Taylor', with a long horizontal stroke extending to the right.

S Z Taylor

Director

1 March 2019

# **Content Guru Limited**

## **Directors' report**

The directors present their annual report on the affairs of the Company, together with the audited financial statements, for the year ended 31 December 2018.

### **RESULTS AND DIVIDENDS**

The company continues to make good progress, as detailed more fully in the Strategic Report. The directors are confident that the Company will continue to build on its success in the coming year.

Profit after tax for the financial year amounted to £647,581 (2017: £1,396,423). The directors have not proposed a dividend for the year (2017: £nil).

#### **Future developments**

Details of future developments can be found in the Strategic Report on page 4.

### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Companies risk management objectives and policies are the same as for Group.

Group's activities expose it to a number of financial risks including in relation to competition, technological development, price, credit, foreign currency and liquidity risk. Group's primary goal is to continue a policy of sustainable and controlled growth allied to an acceptable level of profitability. Group believes these objectives can best be met by securing long-term relationships with customers who recognise the high value added nature of Group's products and services.

#### **Competitive risk**

Market demand for Group's products continues to be strong, with services such as cloud contact centre growing. The high-growth marketplace has led to increased competition as new entrants seek to establish a position and existing competitors look to grow through acquisition and/or additional funding. Group will continue to ensure its products and services are best-in-class and constantly monitor its pricing position.

#### **Technological risk**

Group carries out a significant amount of research and development in the technological development and some of this research effort may occasionally not lead to immediately marketable products. This risk is mitigated by ensuring that research projects are chosen according to clearly defined criteria and ensuring close attention is paid to market requirements at all times. Products are typically launched on a 'fast follower' basis to further de-risk their commercial failure.

#### **Price risk**

Group has to manage a degree of risk in order to maintain the margin earned on equipment sales during periods when equipment purchase prices fluctuate due to market and currency movements. Group mitigates this risk by maintaining relationships with alternative suppliers and evaluating forward currency purchases as necessary.

#### **Foreign currency risk**

Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. It continues to balance its cost and revenues in non-Sterling currencies to minimise the effect of currency variations. Group does not use foreign exchange forward contracts to hedge the profit element derived from non-Sterling currencies.

# **Content Guru Limited**

## **Directors' report (continued)**

### **Credit risk**

Group's principal financial assets are bank balances and trade receivables. Bank balances are held only with major banks and bad debt risk is minimised by dealing mainly with blue-chip companies and following rigorous credit management procedures.

### **Liquidity risk**

Group continues to invest in infrastructure and staff resources and ensures it has sufficient liquidity for operational and capital requirements by way of regular cash flow projections.

### **CHARITABLE CONTRIBUTIONS**

Donations to charitable causes during the year were made on behalf of the Company by sister company Redwood Technologies Ltd and as such £nil were made during the year (2017: £5,170). Supporting charitable causes is an important role of the Company in the community but is done on a fiscally responsible basis. Other charitable activities involving sponsoring community events and the time of directors and staff do not appear as charitable contributions.

### **DIRECTORS INDEMNITIES**

The Company has made qualifying third party indemnity provisions for the benefit of its directors in respect of proceedings brought by the third parties, subject to the conditions set out in section 234 of Companies Act 2006. Such qualifying third party indemnity provision remained in force throughout the year and as at the date of approving the directors' report.

### **POLITICAL CONTRIBUTIONS**

No political donations were made during the year (2017: none).

### **GOING CONCERN**

Both the Company and Group have strong net assets, is highly cash generative and is profit making, as noted in the Strategic Report. The Company is in a net current assets position of £4,653,064 at 31 December 2018 (2017: £3,916,583).

Having considered the risks and the uncertainties in the current economic environment, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

### **DIRECTORS**

The directors, who served throughout the year, were as follows:

S Z Taylor (Chairman)  
P M H Taylor  
J P Taylor



## **Content Guru Limited**

### **Directors' report (continued)**

#### **DISCLOSURE OF INFORMATION TO AUDITOR**

Each of the persons who are a director at the date of approval of this report has confirmed that:

- so far as the director is aware, there is no relevant audit information of which Group'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 Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

#### **RE-APPOINTMENT OF AUDITOR**

Ernst & Young LLP were appointed auditor in 2018 following the resignation of Deloitte LLP.

Ernst & Young LLP has been deemed re-appointed under section 487 of the 2006 Act.

#### **APPROVAL**

Approved by the Board and signed on its behalf by:



S Z Taylor

Director

1 March 2019

## **Content Guru Limited**

### **Directors' responsibilities statement**

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

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

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

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

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.

## **Independent auditor's report to the members of Content Guru Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of Content Guru Limited for the year ended 31 December 2018 which comprises statement of comprehensive income, balance sheet, statement of changes in equity and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

#### **Basis for opinion**

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

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.

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 the 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 directors' report have been prepared in accordance with applicable legal requirements.

## **Independent auditor's report to the members of Content Guru Limited (continued)**

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

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

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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 directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

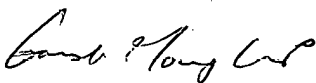
### **Auditor's responsibilities for the audit of the financial statements**

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

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

### **Use of our report**

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



Paul Etherington  
for and on behalf of Ernst & Young LLP  
Senior Statutory Auditor  
Reading, United Kingdom  
7<sup>th</sup> March 2019

## Content Guru Limited

### Statement of comprehensive income For the year ended 31 December 2018

	Note	2018 £	2017 £
<b>Turnover</b>	3	16,838,937	14,971,049
Cost of sales		(7,217,578)	(7,110,293)
<b>Gross profit</b>		9,621,359	7,860,756
Share-based payment charge	15	(61,532)	(127,205)
Administrative expenses		(8,742,392)	(6,010,140)
<b>Operating profit</b>		817,435	1,723,411
<b>Profit before taxation</b>	4	817,435	1,723,411
Tax on profit	6	(169,854)	(326,988)
<b>Profit for the financial year</b>		647,581	1,396,423

There are no amounts to disclose in relation to OCI. All results are from continuing operations.

# Content Guru Limited

## Balance sheet

As at 31 December 2018

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Tangible assets	7	778,010	802,919
Intangible assets	8	739	3,198
		<u>778,749</u>	<u>806,117</u>
<b>Current assets</b>			
Debtors	9	6,231,839	2,993,057
Cash at bank and in hand		2,464,119	4,733,992
		<u>8,695,958</u>	<u>7,727,049</u>
<b>Creditors: amounts falling due within one year</b>	10	(4,042,894)	(3,810,466)
<b>Net current assets</b>		<u>4,653,064</u>	<u>3,916,583</u>
<b>Net assets</b>		<u>5,431,813</u>	<u>4,722,700</u>
<b>Capital and reserves</b>			
Called up share capital	12	750	750
Capital redemption reserve	13	250	250
Share-based payment reserve	13	284,262	222,730
Profit and loss account	13	5,146,551	4,498,970
<b>Shareholders' funds</b>		<u>5,431,813</u>	<u>4,722,700</u>

The financial statements of Content Guru Limited (registered number 05653869) were approved by the board of directors and authorised for issue on 1 March 2019. They were signed on its behalf by:



S Z Taylor  
Director

## Content Guru Limited

### Statement of changes in equity For the year ended 31 December 2018

	Called-up share Capital	Capital redemption reserve	Share-based payment reserve	Profit and loss account	Total
	£	£		£	£
<b>At 1 January 2017</b>	750	250	95,525	3,402,547	3,499,072
Profit for the financial year	-	-	-	1,396,423	1,396,423
<b>Total comprehensive income</b>	-	-	-	<b>1,396,423</b>	<b>1,396,423</b>
Share based payment transactions	-	-	127,205	-	127,205
Dividends paid on equity shares	-	-	-	(300,000)	(300,000)
<b>At 31 December 2017</b>	<b>750</b>	<b>250</b>	<b>222,730</b>	<b>4,498,970</b>	<b>4,722,700</b>
Profit for the financial year	-	-	-	647,581	647,581
<b>Total comprehensive income</b>	-	-	-	<b>647,581</b>	<b>647,581</b>
Share based payment transactions	-	-	61,532	-	61,532
<b>At 31 December 2018</b>	<b>750</b>	<b>250</b>	<b>284,262</b>	<b>5,146,551</b>	<b>5,431,813</b>

# Content Guru Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2018

### 1. Accounting policies

The financial statements are prepared under the historical cost convention. The principal accounting policies are summarised below. They have all been applied consistently throughout the year and in the preceding year.

#### a. General information and basis of accounting

Content Guru Limited is a private company limited by shares incorporated in England and Wales, United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 2.

Content Guru Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Content Guru Limited is consolidated in the financial statements of its ultimate parent, Redwood Technologies Group Limited, which may be obtained from Companies House. Exemptions have been taken in these separate Company financial statements in relation to presentation of a cash flow statement, financial instruments, share-based payments and related party transactions.

The functional currency of Content Guru Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

#### b. Intangible fixed assets

The intangible fixed assets are stated at cost and consist of software licences, which is amortised on a straight line basis over its expected useful life. Provision is made for any impairment and the expected useful life is five years, reflecting the point at which the Company directors would estimate the technology to become redundant and require replacing. Amortisation is disclosed within administrative expenses.

#### c. Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Computer equipment	20% straight line
--------------------	-------------------

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

#### d. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are classified according to the substance of the contractual arrangements entered into.

##### (i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs).

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.



# Content Guru Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2018

### 1. Accounting policies (continued)

#### e. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

##### *Non-financial assets*

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

##### *Financial assets*

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

#### f. Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, 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 is measured on an undiscounted basis using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

# **Content Guru Limited**

## **Notes to the financial statements (continued)**

**For the year ended 31 December 2018**

### **1. Accounting policies (continued)**

#### **g. Turnover**

Turnover represents amounts receivable for services net of VAT and other sales taxes. Turnover is derived from four main sources: provision of professional services, licence, transaction fees and the sale of hardware.

Professional services fees are consultancy and development fees associated with the provision of services. Professional services fees are charged on a per-day basis and recognised as work is performed.

Seat licence fees represent charges to access a service feature such as a management information reporting interface and are charged and recognised over the seat licence period.

Transaction fees represent fees received for the use of a service such as making a payment by phone and are charged and recognised on a per-time or per-use basis.

Hardware sales represent ad hoc sales of hardware as part of the delivery of a service. These sales are recognised on the delivery of the hardware to customers' requested delivery locations.

#### **h. Foreign currency**

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 balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income.

#### **i. Pensions**

Contributions made by the Company to money purchase pension schemes are charged to the profit and loss as they arise. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### **j. Share-based payments**

The Company issues equity-settled share options to certain employees within the Company. Equity-settled share-based payment transactions are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The vesting period ends on the date on which the relevant employees become fully entitled to the award. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period. At each balance sheet date, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions the movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Fair value is measured by use of the Black Scholes pricing model which is considered by management to be the most appropriate method of valuation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

#### **k. 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 income statement in other operating expenses.

# Content Guru Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2018

### 2. Critical Accounting Judgements

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### *Critical judgements in applying the company's accounting policies*

The following are the critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### **Unbundling of Revenue Contracts**

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in FRS 102 Section 23 Revenue and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods. Where customer orders consist of multiple revenue sources, as defined in note 1g above, contract values are distinctly segregated and revenue recognition separately accounted for according to the Company's revenue recognition policies.

### 3. Turnover

Sales to related parties in the year ended 31 December 2018 were £nil (2017: £15,977).

	2018 £	2017 £
An analysis of the Company's revenue by stream is as follows:		
Professional services	1,376,891	2,494,949
Seat licence fees	10,445,776	7,665,126
Transaction fees	4,742,996	4,577,587
Equipment sales	273,274	233,387
Total revenue	16,838,937	14,971,049

	2018 £	2017 £
An analysis of the Company's revenue by geography is as follows:		
United Kingdom	16,345,385	14,581,001
International	493,552	390,048
Total revenue	16,838,937	14,971,049

# Content Guru Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2018

### 4. Profit before taxation

Profit before taxation is stated after charging/(crediting):

	2018 £	2017 £
Depreciation of tangible fixed assets (note 7)	302,936	268,701
Amortisation of intangible fixed assets (note 8)	2,459	2,461
Rentals under operating leases		
- Plant and machinery	13,086	-
Auditor's remuneration		
- Audit	42,500	37,750
- Tax compliance services	-	4,164
Foreign Exchange Losses/(Gains)	86,139	(81,019)
Share-based payment charge	61,532	127,205

None of the directors received any emoluments from the Company during the year.

### 5. Employee numbers and costs

The average monthly number of employees was:

	2018 Number	2017 Number
Sales, Marketing, Finance and Administration	44	32
Research, Development and Professional Services	82	57
	126	89

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	5,710,737	3,859,639
Social security costs	633,401	441,555
Pension contributions	128,887	55,751
	6,473,025	4,356,945

Additional employee services have been supplied and remunerated by Redwood Technologies Limited, a related company. In addition to the wages and salaries cost disclosed above, there were share-based payment charges of £61,532 (2017: £127,205). There are no pension commitments at the year end date other than those recorded on the balance sheet (2017: £nil).

# Content Guru Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2018

### 6. Tax on profit

The tax charge comprises:

	2018 £	2017 £
<b>Current tax on profit</b>		
UK corporation tax	193,722	384,316
Adjustments in respect of prior years		
UK corporation tax	(2,928)	-
<b>Total current tax</b>	190,794	384,316
<b>Deferred tax</b>		
Origination and reversal of timing differences	(20,940)	(57,328)
<b>Total deferred tax (see note 11)</b>	(20,940)	(57,328)
<b>Total tax on profit</b>	169,854	326,988

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of the deferred tax at the balance sheet date.

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2018 £	2017 £
<b>Profit before tax</b>	817,435	1,723,411
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2017: 19.25%)	155,313	331,757
Effects of:		
- Expenses not deductible for tax purposes	2,863	-
- Other timing differences	(1,488)	-
- Share option differences	18,558	-
- Adjustments in respect of prior years	(2,928)	-
- Tax rate changes	(2,464)	(4,769)
<b>Total tax charge for year</b>	169,854	326,988

# Content Guru Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2018

### 7. Tangible fixed assets

	<b>Computer equipment Total £</b>
<b>Cost</b>	
At 1 January 2018	2,463,550
Additions	278,027
Disposals	(95,580)
At 31 December 2018	<u>2,645,997</u>
<b>Accumulated depreciation</b>	
At 1 January 2018	1,660,631
Charge for the year	302,936
Disposals	(95,580)
At 31 December 2018	<u>1,867,987</u>
<b>Net book value</b>	
At 31 December 2018	<u>778,010</u>
At 31 December 2017	<u>802,919</u>

### 8. Intangible fixed assets

	<b>Licenses Total £</b>
<b>Cost</b>	
At 1 January 2018	116,726
Additions	-
At 31 December 2018	<u>116,726</u>
<b>Accumulated depreciation</b>	
At 1 January 2018	113,528
Charge for the year	2,459
At 31 December 2018	<u>115,987</u>
<b>Net book value</b>	
At 31 December 2018	<u>739</u>
At 31 December 2017	<u>3,198</u>

# Content Guru Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2018

### 9. Debtors: amounts falling due within one year

	2018 £	2017 £
Trade debtors	1,544,594	1,320,430
Amounts receivable from related companies	2,949,448	903,592
Prepayments	347,180	199,629
Long-term prepayments	62,758	-
Accrued income	835,236	531,676
Other debtors including taxation and social security	433,953	-
Deferred tax asset (see note 11)	58,670	37,730
	<u>6,231,839</u>	<u>2,993,057</u>

No interest is charged between Group entities. All intercompany debts are considered payable upon demand, and therefore classified as current assets/liabilities. As all Group companies are under the same management control, no debts will be called upon if it would put the payer into doubt over its ability to continue as a going concern.

### 10. Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	317,794	458,693
Amounts owed to related companies	1,805,420	204,247
Corporation tax	118,271	306,293
Other creditors including taxation and social security	394,725	597,842
Accruals	666,657	652,588
Deferred income	740,027	1,590,803
	<u>4,042,894</u>	<u>3,810,466</u>

No interest is charged between Group entities. All intercompany debts are considered payable upon demand, and therefore classified as current assets/liabilities. As all Group companies are under the same management control, no debts will be called upon if it would put the payer into doubt over its ability to continue as a going concern.

# Content Guru Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2018

### 11. Deferred taxation

	2018 £	2017 £
The movement in the deferred taxation balances during the year was:		
Deferred tax liabilities brought forward at 1 January	37,730	(19,598)
Credit for the year	20,940	57,328
At 31 December	<u>58,670</u>	<u>37,730</u>
	2018 £	2017 £
Deferred tax is provided as follows:		
Accelerated/(Decelerated) capital allowances	5,114	(18,377)
Pension tax asset	5,231	-
Share-based payments	<u>48,325</u>	<u>56,107</u>
	<u>58,670</u>	<u>37,730</u>

During the year beginning 1 January 2019, the reversal of deferred tax liabilities is expected to reduce the corporation tax charge for the year by £20,000. This is due to the expectation that depreciation will be in excess of capital allowances through continuing capital investment. There is no expiry date on timing differences.

### 12. Called-up and Authorised share capital and reserves

	2018 £	2017 £
<b>Authorised, called up, allotted and fully paid</b>		
75,000 (2017: 75,000) ordinary shares of £0.01 each	<u>750</u>	<u>750</u>

Ordinary shareholders have the right to vote in general meetings, receive dividends and participate in capital distributions.



# Content Guru Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2018

### 13. Reserves and reconciliation of movements in shareholders' funds

	Share-based payment reserve £	Capital redemption reserve £	Profit and loss Account £	Total 31 December 2018 £	Total 31 December 2017 £
At beginning of year	222,730	250	4,498,970	4,721,950	3,498,322
Profit for the financial year	-	-	647,581	647,581	1,396,423
Dividends paid	-	-	-	-	(300,000)
Share based payment transactions	61,532	-	-	61,532	127,205
At end of year	<u>284,262</u>	<u>250</u>	<u>5,146,551</u>	<u>5,431,063</u>	<u>4,721,950</u>

The capital redemption reserve reflects historic share buy-backs of two prior shareholders in 2012 and 2013 following their retirement from the business. Neither party has held any Content Guru Limited shares thereafter.

The share-based payment reserve includes the charge in relation to an Employee Management Incentive (EMI) scheme (see note 15).

The directors do not propose a dividend for the year.

### 14. Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2018 £	2017 £
Within one year:	14,276	-
Between one and five years:	7,138	-
	<u>21,414</u>	<u>-</u>

### 15. Share-based payments

#### Equity settled share option scheme

The group established an Enterprise Management Incentive ('EMI') plan on 23 May 2016 under which share options were granted to certain employees of the group. The Schemes are equity-settled share based payment arrangements whereby the employees are granted share options of the parent company's equity instruments, specifically its Ordinary B shares of £0.001 each.

The scheme includes non-market-based vesting conditions only, whereby the share options may be exercised from the date that they vest until the 10th anniversary of the date of the grant. There are no performance based vesting conditions and the only vesting requirement is that the recipient remains in employment with the Company for two years from the grant date. The share based payment expense in the year was £61,532 (2017: £127,205).

## **Content Guru Limited**

### **Notes to the financial statements (continued)**

For the year ended 31 December 2018

#### **16. Controlling party**

The immediate parent company and ultimate holding company is Redwood Technologies Group Limited, registered in the same office as the Company. The ultimate controlling parties are S Z Taylor, and P M H Taylor by virtue of their shareholdings in Redwood Technologies Group Limited.

The consolidated results of Redwood Technologies Group Limited is the only group of which the Company is a member for which group financial statements are drawn up. The consolidated results can be obtained from Radius Court, Eastern Road, Bracknell, Berkshire, RG12 2UP.