Registration number: 10053004

Southern Communications Group Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 March 2018

Southern Communications Group Limited

Contents

Southern Communications Group Limited

Company Information

Directors	PJ Bradford MO Kirk AJ Moody DC Phillips JN Wilson DC Goldie M Caffrey S Hollingsworth
Registered number	10053004
Registered office	Glebe Farm Down Street Dummer Basingstoke RG25 2AD
Independent auditors	Grant Thornton UK LLP Chartered Accountants 5 Benham Road Southampton Science Park Chilworth Southampton SO16 7QJ

Southern Communications Group Limited

Strategic Report for the Year Ended 31 March 2018

The Directors present their strategic report for the period ended 31 March 2018.

Principal activity
The principal activity of the Group is the provision of business voice and data communications services. The product range is diverse including Data connectivity from broadband to multi-site wide area networks, Calls and Line Rental, IP telephone systems, UC solutions and mobile. The solutions are delivered and supported nationally across the UK.

Business review and future developments
Southern Communications Group Limited is the holding company above Southern Communications Investments Limited, Southern Communications Holdings Limited and ultimately the main trading company Southern Communications Limited.

On 9 June 2017 the Group purchased the entire share capital of DCS Voice and Vision Limited, based in Luton adding to our strong SME customer base.

Further in December 2017 the Group purchased the entire share capital of Verranti Limited, adding a substantial SME customer base as well as a number of high end customers taking complex next generation products.

The continued growth in the group has led to an increase in headcount from 181 in 2017 to 234 in 2018. Investment in people remains key to the development of the business.

The Directors consider the key performance indicators of the business to be turnover, gross profit, EBITDA*, EBITDA* to operating cash flow conversion and EBITDA* margin percentage.

Key financial performance indicators

	2018	Restated 2017
Turnover	£ 43,259,414	£ 32,522,773
Gross profit	£ 20,922,703	£ 15,714,612
EBITDA*	£ 8,553,543	£ 6,656,098
EBITDA* margin	19.8%	20.5%
EBITDA* to operating cash-flow conversion	94.6%	95.8%

* Earnings before interest, taxation, depreciation and amortisation.

Strong market Platform

As a platform, the group is a Tier2 ISP with 6 points of presence across the country and interconnects to virtually every major carrier in the UK. This allows the group to provide its customers every aspect of data connectivity. Within the network we have our own cloud computing virtual environment as well as LAN & WAN security solutions. The group is also one of only 8 O2 Service providers in the UK and when combined with our own hosted telephony platform in the form of MyPhones.com the management feel that they have one of the strongest platforms in the market.

Positioned for Growth

With the group's technology platform and demonstrated and sustained organic growth from both direct and indirect sales channels the management feel that the group is now ideally positioned for future growth, organically and through a continued well thought out acquisition strategy.

Southern Communications Group Limited

Strategic Report for the Year Ended 31 March 2018

Principal risks and uncertainties
The principal risks and uncertainties facing the Company and the Group are the on-going economic uncertainty and increasing price sensitivity within the calls and lines market leading to an extremely competitive industry sector. Despite these factors, the Group continues to generate positive EBITDA and to expand.

Results and dividends

The loss for the period, after taxation, amounted to £9,430,436 (2017 - £6,753,824). No dividends are paid or proposed.

Post balance sheet events

In April 2018 the group acquired the entire share capital of 3 Circles Limited and EtAl Innovations Limited which trades in the market as MyPhones.com and is one of the most developed hosted telephony solution providers in the UK with c50,000 live hosted seats. This is in line with the Group's plan to expand rapidly through a mixture of controlled organic growth and sustainable acquisitions.

In August 2018 the Group refinanced with Santander and Ares Management. This gives the Group a £30 million acquisition facility, with the ability to flex higher.

Approved by the Board on 28.9.18 and signed on its behalf by:

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PJ Bradford
Director

Southern Communications Group Limited

Directors' Report for the Year Ended 31 March 2018

The Directors present their report and the consolidated financial statements for the year ended 31 March 2018.

Directors of the Group

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

PJ Bradford
MO Kirk
AJ Moody
DC Phillips
JN Wilson
DC Goldie
M Caffrey
R Hooley (resigned 28 February 2018)
S Hollingsworth (appointed 30 March 2018)

Financial instruments

Objectives and policies

The Company does not make use of any financial instruments in relation to hedging and no hedge accounting is used.

Price risk, credit risk, liquidity risk and cash-flow risk

The Group operates in a competitive industry and, therefore, faces some price risk. As a reseller, the Group attempts to pass on any increased costs to its customers, although competition in the industry is occasionally a barrier. This is mitigated by focusing on growing the higher margin revenue streams.

The Group faces little financial risk in the form of bad debts, due to retaining ownership of the lines which it rents to customers. The maximum credit risk, therefore, is restricted to one month's income for the majority of customers.

The business generates positive cash-flow from its operations and uses surplus cash to fund acquisitions and to pay down bank debt used to fund transactions. Liquidity risk and cash-flow risk are therefore not high for the Group.

The Group uses, free cash-flows, bank loans and loan notes to finance acquisitions. These are at market rates of interest for facilities of this type. No hedging of interest rate risk is used.

Disclosure made in the strategic report

Disclosures relating to the Group's principal activity, future developments, principal risks and uncertainties, key financial performance indicators and results & dividends have been made in the strategic report and are not repeated here in accordance with Section 414C of the Companies Act 2006.

Disclosure of information to the 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 Group's auditors are 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 Group's auditors are aware of that information.

Reappointment of auditors

During the year, Moore Stephens LLP resigned from office and the Directors appointed Grant Thornton UK LLP in their place.

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

Approved by the Board and authorised for issue on 21.9.18 and signed on its behalf by:

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PJ Bradford
Director

Southern Communications Group Limited

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including FRS 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 Group and Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board on 28.9.18 and signed on its behalf by:

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PJ Bradford
Director

Southern Communications Group Limited

Independent Auditor's Report to the shareholders of Southern Communications Group Limited

Opinion

We have audited the financial statements of Southern Communications Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheet, the Consolidated and Company Statement of Changes in Equity, the Consolidated 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 group's and of the parent company's affairs as at 31 March 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Who we are reporting to

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.

Conclusions relating to going concern

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

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

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.

Independent Auditor's Report to the shareholders of Southern Communications Group 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 group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Southern Communications Group Limited

Independent Auditor's Report to the shareholders of Southern Communications Group 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. This description forms part of our auditor's report.

Grant Thornton UK LLP

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Norman Armstrong BSc FCA (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Southampton

Date: 28 September 2018

Southern Communications Group Limited

Consolidated Statement of Comprehensive Income

for the Year Ended 31 March 2018

	Note	2018 £	Restated 11 months ended 31 March 2017 £
Turnover	3	43,259,414	32,522,773
Cost of sales		(22,336,711)	(16,808,161)
Gross Profit		20,922,703	15,714,612
Administrative expenses		(21,620,088)	(15,648,352)
EBITDA		**8,553,543**	**6,656,098**
Amortisation of intangible assets	4	(8,537,520)	(6,112,222)
Depreciation of tangible assets	4	(713,408)	(477,616)
Operating loss	4	(697,385)	66,260
Interest receivable and similar income	8	1,753	3,114
Interest payable and similar expenses	9	(7,833,686)	(7,043,254)
Loss before taxation		(8,529,318)	(6,973,880)
Taxation	10	(901,118)	220,056
Loss for the period and total comprehensive expense attributable to owners of the parent company		(9,430,436)	(6,753,824)

The notes on pages 17 to 41 form an integral part of these financial statements

Southern Communications Group Limited

(Registration number: 10053004)
Consolidated Balance Sheet as at 31 March 2018

	Note	2018 £	Restated 2017 £
Fixed assets			
Intangible assets	11	71,735,254	76,409,679
Tangible assets	12	1,774,621	1,486,472
		73,509,875	77,896,151
Current assets			
Stocks	15	414,989	265,382
Debtors	16	4,988,201	3,880,689
Cash at bank and in hand		6,589,184	5,155,093
		11,992,374	9,301,164
Creditors: amounts falling due within one year	17	(9,745,078)	(8,296,875)
Net current assets		2,247,296	1,004,289
Total assets less current liabilities		75,757,171	78,900,440
Creditors: amounts falling due after one year	17	(85,185,383)	(79,156,054)
Provisions	10	(6,692,130)	(6,436,292)
Net liabilities		(16,120,342)	(6,691,906)
Capital and reserves			
Called up share capital	20	1,030	1,010
Share premium reserve		62,888	60,908
Profit and loss account		(16,184,260)	(6,753,824)
Total equity		(16,120,342)	(6,691,906)

Approved and authorised for issue by the Board on 28.9.18 and signed on its behalf by:

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PJ Bradford

Director

The notes on pages 17 to 41 form an integral part of these financial statements

Southern Communications Group Limited

(Registration number: 10053004)
Company Balance Sheet as at 31 March 2018

	Note	2018 £	2017 £
Fixed assets			
Investments	13	36,066	4
Current assets			
Debtors due within one year	16	33,509,688	1,149,589
Debtors due in more than one year	16	-	28,900,560
Cash at bank and in hand		283,776	797
		33,793,464	30,050,946
Creditors: amounts falling due within one year	17	(2,232,692)	(858,347)
Net current assets		31,560,772	29,192,599
Total assets less current liabilities		31,596,838	29,192,603
Creditors: amounts falling due after one year	17	(31,933,050)	(29,115,581)
Net liabilities		(336,212)	77,022
Capital and reserves			
Called up share capital	20	1,030	1,010
Share premium reserve		62,888	60,908
Profit and loss account		(400,130)	15,104
Total equity		(336,212)	77,022

The loss for the Company for the year was £415,234 (2017 - £15,104, profit).

Approved and authorised for issue by the Board on 28. 9. 18 and signed on its behalf by:

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PJ Bradford
Director

The notes on pages 17 to 41 form an integral part of these financial statements

Southern Communications Group Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 March 2018

	Share capital £	Share premium £	Profit and loss account £	Total £
Shares issued in the period	1,010	60,908	-	61,918
Loss for the period	-	-	(6,753,824)	(6,753,824)
At 31 March 2017	**1,010**	**60,908**	**(6,753,824)**	**(6,691,906)**
Shares issued in the period	20	1,980	-	2,000
Loss for the period	-	-	(9,430,436)	(9,430,436)
Dividends	-	-	-	-
At 31 March 2018	1,030	62,888	(16,184,260)	(16,120,342)

The notes on pages 17 to 41 form an integral part of these financial statements

Company Statement of Changes in Equity for the Year Ended 31 March 2018

	Share capital £	Share premium £	Profit and loss account £	Total £
Shares issued in the period	1,010	60,908	-	61,918
Loss for the period	-	-	15,104	15,104
At 31 March 2017	**1,010**	**60,908**	**15,104**	**77,022**
Shares issued in the period	20	1,980	-	2,000
Loss for the period	-	-	(415,234)	(415,234)
At 31 March 2018	1,030	62,888	(400,130)	(336,212)

The notes on pages 17 to 41 form an integral part of these financial statements

Southern Communications Group Limited

Consolidated Statement of Cash Flows for the Year Ended 31 March 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Loss for the financial period		(9,430,436)	(6,753,824)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	4	9,250,928	6,589,838
Loss/(profit) on disposal of tangible assets	4	3,859	(24,071)
Interest received	8	(1,753)	(3,114)
Finance costs	9	7,833,686	7,043,254
Corporation tax	10	901,118	(220,056)
		8,557,402	6,632,027
Working capital adjustments:			
Increase in stocks		(125,476)	(97,323)
Increase in trade debtors		(240,297)	(173,951)
Increase/(decrease) in trade creditors		(375,010)	13,083
Cash generated from operations		7,816,619	6,373,836
Taxation			
Corporation tax paid		(782,015)	(1,020,579)
Net cash generated from operating activities		7,034,604	5,353,257
Cash flows from investing activities			
Purchase of subsidiaries (net of cash acquired)		(2,646,892)	(32,785,811)
Acquisitions of intangible assets	11	(217,828)	-
Acquisitions of tangible assets	12	(1,004,024)	(813,631)
Proceeds from sale of tangible assets		15,156	36,395
Net cash used in investing activities		(3,853,588)	(33,563,047)
Cash flows from financing activities			
Interest paid	9	(1,732,562)	(1,973,730)
Interest received	8	1,753	3,114
Receipts from new loans	18	-	47,832,095
Repayment of bank loans		(31,252)	(12,482,369)
Repayment of obligations under finance leases		13,136	(49,140)
Proceeds from issue of ordinary share capital	20	2,000	34,913
Net cash from financing activites		(1,746,925)	33,364,883

Southern Communications Group Limited

Consolidated Statement of Cash Flows for the Year Ended 31 March 2018

	Note	2018 £	2017 £
Net increase in cash and cash equivalents		1,434,091	5,155,093
Cash and cash equivalents at beginning of year		5,155,093	-
Cash and cash equivalents at the end of period		6,589,184	5,155,093

The notes on pages 17 to 41 form an integral part of these financial statements

Southern Communications Group Limited

Notes to the Financial Statements for the Year Ended 31 March 2018

1 General information

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

The address of its registered office is:
Glebe Farm
Down Street
Dummer
Basingstoke
RG25 2AD

2 Accounting policies

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

Statement of compliance
The financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Companies Act 2006 and FRC Abstracts.

Basis of preparation
These financial statements have been prepared under the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value. The Company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual Statement of Comprehensive Income.

The loss for the Company for the year was £415,234 (2017 - £15,104, profit).

The financial statements are presented in the currency of the primary economic environment in which the Group operates (its functional currency), which is Sterling, rounded to the nearest £1.

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 Group and Company's accounting policies (see note 2a).

During the period management reviewed the categorisation of certain staff costs as a Cost of Sale and considered that they would be more appropriately shown within Administrative Expenses. Accordingly staff costs totalling £544,523 (2017 - £408,366) have been reallocated in the current and comparative information respectively. Further, during the period management also reviewed the presentation of the mobile hardware fund as an accrual and considered that the balance would be more appropriately shown within other debtors. Accordingly the balance totalling £315,847 (2017 - £168,482) have been reallocated in the current and comparative information respectively. There has not been any impact on profit as a result of these adjustments.

Disclosure of short accounting period

The comparative period covers 11 May 2016 to 31 March 2017, an 11 month period. The current period covers the year to 31 March 2018, the comparatives are therefore not directly comparable.

Basis of consolidation
These financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 March each year.

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

Basis of consolidation continued

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the Group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the Group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the Company and its subsidiaries, which are related parties, are eliminated in full.

Going Concern

The Group has net liabilities of £16,120,342 (2017 - £6,691,906) as a result of significant loan notes, bank debt and interest costs. The Group earned of EBITDA of £8,553,543 (2017 - £6,656,098) in the period. A significant part of the interest cost is rolled up and only repayable on redemption of the loan notes and bank debt. The Directors consider that the overdrawn Consolidated Balance Sheet does not represent a significant risk to the Group's going concern status due to the repayment profile of the debt (see note 18). The Directors have reached this conclusion with reference to forecasts prepared and covenants imposed on the Group. Following the year end the Group refinanced gaining access to further facilities of £30,000,000 with the ability to flex further. Accordingly, the financial statements have been prepared on a going concern basis.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the group.

The Group recognises revenue when:

- the amount of revenue can be reliably measured;
- it is probable that future economic benefits will flow to the entity; and
- specific criteria have been met for each of the Group's activities.

Service revenue is recognised on the date that the service is provided to the customer, and revenue from the sale of goods is recognised at the point of delivery or, in the case of installations, according to the stage of completion of the project.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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 group operates and generates taxable income.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the Group. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets
Tangible assets are stated in the Balance Sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation
Depreciation is charged so as to write off the cost of assets, less any estimated residual value, over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Leasehold improvements	In accordance with the property lease
Plant and machinery	25% straight-line on cost
Motor vehicles	25% straight-line on cost
Computer and office equipment	20 – 33% straight-line on cost

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 Income and Retained Earnings.

Intangible assets
Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised over its estimated useful life.

Intangible assets that have been acquired as part of business combinations, such as unregistered intellectual property and customer lists are initially recognized at fair value at the date of acquisition representing the cost to acquire those assets, and are subsequently stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation
Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Goodwill	10 years straight-line
Unregistered intellectual property	10 years straight-line
Customer lists	10 years straight-line
Computer software	3 years straight-line

Amortisation charges are included in profit or loss within administrative expenses.

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

Investments
Investments in subsidiary undertakings are measured at cost, including those directly attributable to the investment in said subsidiary undertakings, less any impairment.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Leases

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

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in profit or loss and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are approved by the shareholders.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Financial instruments

The Group adopted sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

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

Such assets are subsequently carried at amortised cost using the effective interest method.

Financial instruments continued
At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss. If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Such assets are subsequently carried at fair value and the changes in the fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

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

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

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

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Loan notes that meet the definition of complex financial instruments, set out in Sections 11 and 12 of Financial Reporting Standard 102, are initially measured at transaction cost and are subsequently re-measured at their fair value. Cost associated with the issue of such loan notes are included in profit or loss and changes in the fair value of loan notes are recognised in profit or loss within finance costs or income as appropriate.

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

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

Related parties
The Group discloses transactions and balances with related parties which are not wholly owned within the same group.

2a Key accounting estimates and assumptions

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

i. Fair values on acquisition of subsidiaries

The fair value of tangible and intangible assets acquired on acquisition involve the use of valuation techniques and the estimation of future cash flows to be generated over a number of years.

ii. Useful economic lives of intangible assets

The useful lives of intangible assets are estimated based on prior experience and past acquisitions. The Group reviews estimated useful lives of assets annually to assess for any impairment and where necessary useful lives are adjusted or the intangible asset is impaired. See note 11 for the carrying amount of intangible assets.

iii. Impairment of intangible assets and goodwill

The Group considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified an estimation of recoverable value is ascertained using publicly published Private Equity multiples for similar transactions in the market.

iv. Consideration paid on acquisition

The value of investments in newly acquired subsidiaries include contingent and deferred consideration, which are estimated by management based on forecast trading of the acquired company. The value included in investments/goodwill and provided for in liabilities represents the fair value of amounts payable.

v. Fair value of complex financial instruments

The fair value of loan notes categorised as complex financial instruments has been assessed based on the interest rate attached, repayment profile and level of risk perceived.

3 Revenue

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

	2018 £	2017 £
Rendering of services	40,794,727	29,996,681
Sale of goods	2,404,705	2,476,914
Commissions received	59,982	49,178
	43,259,414	32,522,773

Turnover has been wholly generated within the United Kingdom.

4 Operating loss

Arrived at after charging/(crediting)

	2018 £	2017 £
Depreciation of owned assets	713,408	474,047
Depreciation of assets held under finance lease and hire purchase contracts	-	3,569
Amortisation expense	8,537,520	6,112,222
Operating lease expense	692,059	490,126
Loss/(Profit) on disposal of property, plant and equipment	3,859	(24,071)
Bad debt expense	76,461	22,960

5 Auditor's remuneration

	2018 £	2017 £
Audit of the financial statements	16,000	15,000
Other services:		
Audit of subsidiary financial statements	108,500	137,200
Taxation compliance services	-	30,500
	124,500	182,700

6 Staff costs

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

	2018 £	2017 £
Wages and salaries	8,069,162	5,844,747
Social security costs	882,228	622,539
Pension costs, defined contribution scheme	97,076	84,508
Private health insurance	28,765	29,761
	9,077,231	6,581,555

6 Staff costs (continued)

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

	2018 No.	2017 No.
Sales and recurring revenue	63	68
Mobile and data	18	28
Maintenance	26	20
General	86	21
New equipment and installations	29	31
Management	12	13
	234	181

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2018 £	2017 £
Remuneration	685,774	643,000
Contributions paid to money purchase schemes	-	18,000
Amounts paid to third parties	33,333	33,333
	719,107	694,333

In respect of the highest paid director:

	2018 £	2017 £
Remuneration	149,679	145,000
Contributions paid to money purchase schemes	-	18,000

During the period the number of directors who received benefits was as follows:

	2018 No.	2017 No.
Accruing benefits under money purchase scheme	-	1

7 Directors' remuneration (continued)

Key management compensation

The compensation paid or payable to key management for employee services is shown below:

	2018	2017
	£	£
Remuneration	949,621	980,359
Contributions paid to money purchase schemes	-	18,000

In addition to the above £33,333 (2017 - £33,333) was paid to a third party company in relation to director services to the Group.

8 Other interest receivable and similar income

	2018	2017
	£	£
Interest income on bank deposits	1,753	3,114

9 Interest payable and similar expenses

	2018	2017
	£	£
Interest on bank overdrafts and borrowings	1,798,793	1,151,396
Interest on finance leases and hire purchase contracts	-	1,112
Interest on loan notes	5,796,427	5,216,557
Other finance charges	238,466	674,189
	7,833,686	7,043,254

10 Taxation

Tax credited in the income statement

	2018 £	2017 £
Current tax:		
UK corporation tax	1,128,142	762,447
Adjustments in respect of prior periods	(145,963)	-
	982,179	762,447
Deferred tax:		
Arising from origination and reversal of timing differences	(81,061)	(982,503)
Tax credit in the profit and loss account	901,118	(220,056)

The tax on loss before tax for the period is higher than (2017 - higher than) the standard rate of corporation tax in the UK the standard rate of corporation tax in the UK of 19%.

	2018 £	2017 £
Loss on ordinary activities before taxation	(8,529,318)	(6,973,880)
Corporation tax at standard rate (19%)	(1,620,570)	(1,394,788)
Expense adjustments	1,829,110	943,236
Adjustments in respect of prior periods	685,262	-
Tax increase from effect of capital allowances and depreciation	-	26,859
Tax increase from effect of amortisation	-	411,320
Deferred tax on losses carried forward	-	(107,536)
Remeasurement of tax - change in UK rates	6,363	(119,104)
Other timing differences	953	19,957
Total tax credit	901,118	(220,056)

Deferred tax:

	2018	2017
At 1 April	(6,436,292)	-
Acquired with subsidiaries	(1,032)	(2,154,883)
Charged to the profit and loss account	70,948	1,034,190
Arising on valuation of intangible assets on acquisition	(325,754)	(5,315,599)
At 31 March	(6,692,130)	(6,436,292)

10 Taxation (continued)

Analysis of deferred tax	**2018**	**2017**
	£	**£**
Capital allowances	72,148	110,224
Deferred tax provision on valuation of intangible fixed assets	6,788,734	6,534,663
Losses carried forward	(66,320)	(107,536)
Other temporary timing differences	(102,432)	(101,059)
Deferred tax provision	6,692,130	6,436,292

The net deferred tax liability expected to reverse in the coming financial period is £1,000,000. This relates primarily to the reversal of timing differences on acquired intangible and tangible assets and capital allowances.

11 Intangible fixed assets

Group

	Goodwill	Unregistered intellectual property	Customer lists	Computer software	Other	Total
	£	£	£	£	£	£
Cost						
At 1 April 2017	36,916,672	1,050,000	44,506,637	-	48,592	82,521,901
Acquired through business combinations	1,703,994	-	1,941,273	217,828	-	3,863,095
At 31 March 2018	38,620,666	1,050,000	46,447,910	217,828	48,592	86,384,996
Depreciation						
At 1 April 2017	2,297,441	111,963	3,702,818	-	-	6,112,222
Charge for the period	3,856,588	140,000	4,475,664	65,268	-	8,537,520
At 31 March 2018	6,154,029	251,963	8,178,482	65,268	-	14,649,742
Net book value						
At 31 March 2018	32,466,637	798,037	38,269,428	152,560	48,592	71,735,254
At 31 March 2017	34,619,231	938,037	40,803,819	-	48,592	76,409,679

Company

No intangible fixed assets are held by the parent company.

12 Tangible fixed assets

Group

	Leasehold improvements	Plant and machinery	Computer and office equipment	Total
	£	£	£	£
Cost				
At 1 April 2017	313,542	749,667	576,729	1,639,938
Additions	64,499	351,985	587,541	1,004,025
Acquired through business combinations	-	11,462	5,085	16,547
Disposals	-	(7,769)	(13,319)	(27,869)
At 31 March 2018	378,041	1,105,345	1,156,036	2,632,641
Depreciation				
At 1 April 2017	58,001	93,171	2,294	153,466
Charge for the period	41,124	288,891	383,393	713,408
Eliminated on disposal	-	(2,073)	-	(8,854)
At 31 March 2018	99,125	379,989	385,687	858,020
Net book value				
At 31 March 2018	278,916	725,356	770,349	1,774,621
At 31 March 2017	255,541	656,496	574,435	1,486,472

No tangible fixed assets are held by the parent company.

12 Tangible fixed assets (continued)

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2018 £	2017 £
Computer equipment	24,605	24,605

13 Fixed asset investments

Company

	2018 £	2017 £
Investments in subsidiaries	36,066	4

	Subsidiaries £
Cost	
At 1 April 2017	4
Additions	36,062
At 31 March 2018	36,066
Net book value	
At 31 March 2018	36,066
At 31 March 2017	4

13 Fixed asset investments (continued)

Details of undertakings

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held
Southern Communications Investments Limited	England and Wales	Ordinary	100%
Southern Communications Holdings Limited *1	England and Wales	Ordinary	100%
Southern Business Technologies Limited *2	England and Wales	Ordinary	100%
Southern Communications Limited *3	England and Wales	Ordinary	100%
Southern Communications Networks Limited *2	England and Wales	Ordinary	100%
Efar Limited *2	England and Wales	Ordinary	100%
Ascent Global Services Limited *2	England and Wales	Ordinary	100%
Hullabaloo Communications Limited *2	England and Wales	Ordinary	100%
Atech Network Services Limited *2	England and Wales	Ordinary	100%
Switch Communications Limited *2	England and Wales	Ordinary	100%
Converse Telecom Limited *2	England and Wales	Ordinary	100%
Integrated Business Systems Limited *2	England and Wales	Ordinary	100%
Link Connect Limited *2	England and Wales	Ordinary	100%
DCS Voice and Vision Limited *2	England and Wales	Ordinary	100%
Verranti Limited *2	England and Wales	Ordinary	100%
Alliance Communications Solutions Limited *3	England and Wales	Ordinary	100%
Switch IP Limited*4	England and Wales	Ordinary	100%
Southern Data Limited *5	England and Wales	Ordinary	100%

*1 wholly owned subsidiary of Southern Communications Investments Limited.

*2 wholly owned subsidiaries of Southern Communications Holdings Limited.

*3 wholly owned subsidiaries of Southern Business Technologies Limited.

*4 wholly owned subsidiary of Switch Communications Limited.

*5 wholly owned subsidiary of Southern Communications Limited.

13 Fixed asset investments (continued)

The principal activities of Southern Communications Investments Limited, Southern Communications Holdings Limited and Southern Business Technologies Limited are that of intermediate holding companies.

The principal activities of Southern Communications Limited, Efar Limited, Switch Communications Limited, Converse Telecom Limited, Integrated Business Systems Limited and Link Connect Services Limited, DCS Voice and Vision Limited and Verranti Limited is the provision of telecommunications and related IT services.

Atech Network Services Limited, Ascent Global Services Limited, Hullabaloo Communications Limited, Alliance Communications Solutions Limited, Southern Communications Network Limited, Switch IP Limited and Southern Data Limited were dormant throughout the year.

The registered office of all of the above companies and principal place of business for Southern Communications Investments Limited, Southern Communications Holdings Limited, Southern Business Technologies Limited, Southern Communications Limited, Hullabaloo Communications Limited, Alliance Communications Solutions Limited, Southern Communications Networks Limited and Southern Data Limited is Glebe Farm, Down Street, Dummer, Basingstoke, RG25 2AD.

The principal place of business for Switch Communications Limited, Switch IP Limited, Atech Network Services Limited and Ascent Global Services Limited is 12-16 Addiscombe Road, Croydon, CR0 0XT.

The principal place of business for Efar Limited is Unit 4, Yeo Bank Business Park, Kenn Road, Clevedon, BS21 6UW.

The principal place of business for Converse Telecom Limited is Navson House, Crabtree Office Village, Eversley Way, Egham, TW20 8RY.

The principal place of business for Integrated Business Systems Limited is Heartlands Business Park, 24 Cottesbrooke Park, Daventry NN11 8YL.

The principal place of business for Link Connect Services Limited is Tilford House, Weydon Lane, Farnham GU9 8QT.

The principal place of business for DCS Voice and Vision Limited is 7 Titan Court, Laporte Way, Luton, Bedfordshire, LU4 8EF.

The principal place of business for Verranti Limited is Navson House, Eversley Way, Egham, TW20 8RY

14 Business combinations

DCS Voice and Vision Limited

On 9 June 2017, Southern Communications Holdings Limited acquired 100% of the issued share capital of DCS Voice and Vision Limited.

DCS Voice and Vision Limited contributed revenue of £939,434 and £121,095 to the Group's profit for the period between the date of acquisition and the balance sheet date.

The entire share capital was purchased for £1,249,116, as detailed below.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

Assets and liabilities acquired

	Book value £	Adjustment £	Fair value £
Intangible assets	-	411,628	411,628
Property, plant and equipment	11,531	-	11,531
Stock	19,720	-	19,720
Debtors	81,736	-	81,736
Cash and cash receivables	196,798	-	196,798
Creditors	(254,566)	-	(254,566)
Provisions	(1,032)	(69,977)	(71,009)
Total identifiable net assets	54,187	341,651	395,838
Goodwill			853,278
Total consideration			1,249,116

Satisfied by:	
Cash	895,500
Deferred consideration payable	302,588
Directly attributable costs	51,028
Total consideration transferred	1,249,116

Cash flow analysis:	
Cash consideration	895,500
Directly attributable costs	51,028
Less: cash and cash equivalent balances acquired	(196,798)
Net cash outflow arising on acquisition	749,730

Contingent consideration was paid on 3 April 2018. The amount recognised in the business combination is based on the amount agreed and paid.

14 Business combinations (continued)

Verranti Limited

On 1 December 2017, the group acquired 100% of the issued share capital of Verranti Limited.

Verranti Limited contributed revenue of £1,604,558 and £129,875 to the Group's profit for the period between the date of acquisition and the balance sheet date.

The entire share capital was purchased for £2,003,486 as detailed below.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

Assets and liabilities acquired

	Book value	Adjustment	Fair value
	£	£	£
Intangible assets	25,000	1,504,645	1,529,645
Property, plant and equipment	5,085	-	5,085
Stock	4,411	-	4,411
Debtors	775,350	-	775,350
Cash and cash receivables	269,940	-	269,940
Creditors	(760,499)	-	(760,499)
Provisions	-	(255,777)	(255,777)
Total identifiable net assets	319,287	1,248,868	1,568,155
Goodwill			435,331
Total consideration			2,003,486

Satisfied by:	
Cash	1,206,000
Deferred consideration payable	729,130
Directly attributable costs	68,356
Total consideration transferred	2,003,486

Cash flow analysis:	
Cash consideration	1,206,000
Directly attributable costs	68,356
Less: cash and cash equivalent balances acquired	(269,940)
Net cash outflow arising on acquisition	1,004,416

Contingent consideration was paid on 15 August 2018. The amount recognised in the business combination is based on management's best estimate of the amount payable.

15 Stocks

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Work in progress	61,090	-	-	-
Finished goods	353,899	265,382	-	-
	414,989	265,382	-	-

The cost of stocks recognised as an expense in the period amounted to £2,148,311 (2017 - £1,383,274).

16 Debtors

Debtors due within one year	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade debtors	2,062,157	1,706,507	-	-
Amounts owed by group companies	-	-	33,505,580	1,149,589
Other debtors	992,106	248,937	4,108	-
Corporation tax repayable	24	-	-	-
Deferred tax asset	10,105	-	-	-
Prepayments and accrued income	1,923,809	1,925,245	-	-
	4,988,201	3,880,689	33,509,688	1,149,589
Debtors due in more than one year				
Amounts owed by group companies	-	-	-	28,900,560

Amounts due owed by group companies relate to intercompany loan notes for which the maturity date is May 2022. The loan notes carry an interest rate of 12% per annum, broken down as 10% accrued and 2% repayable semi-annually on 31 March and 30 September each year.

17 Creditors

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Due within one year				
Trade creditors	2,544,437	2,261,940	18,826	-
Other loans	29,480	-	-	-
Finance lease liabilities	47,638	24,104	-	-
Amounts due to group companies	-	-	1,765,279	703,925
Corporation tax	802,389	509,365	448,587	21,429
Social security and other taxes	1,433,753	1,092,059	-	-
Accruals and deferred income	3,276,182	2,917,001	-	132,993
Other creditors	1,611,199	1,492,406	-	-
	9,745,078	8,296,875	2,232,692	858,347

Due after one year	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Due between one and five years				
Bank loans and overdrafts	26,594,313	3,059,053	-	-
Loan notes	58,548,830	-	31,933,050	-
Other loans	42,240	102,972	-	-
Finance lease liabilities	-	11,063	-	-
	85,185,383	3,173,088	31,933,050	-

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Due in greater than five years				
Bank loans and overdrafts	-	22,671,221	-	-
Loan notes	-	53,311,745	-	29,115,581
	-	75,982,966	-	29,115,581

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Total due after one year	85,185,383	79,156,054	31,933,050	29,115,581

18 Loans and other borrowings

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
B Facility loan	21,000,000	21,000,000	-	-
Acquisition Facility loan	5,594,313	4,730,274	-	-
Loan notes	58,548,830	53,311,745	31,933,050	29,115,581
Other loans	71,720	102,972	-	-
Finance leases	47,638	35,167	-	-
	85,262,501	79,180,158	31,933,050	29,115,581

Facility B Bank Loan

On 11 May 2016 a drawdown of £21,000,000 was made from the Facility B bank loan. The loan is repayable on its maturity 6 years from the date of its drawdown and incurs an interest charge of 4.25% above LIBOR which is settled quarterly. The balance is shown net of unamortised arrangement fees which are being charged to the Statement of Comprehensive Income at a constant rate of interest over the term of the loan.

Acquisition Facility Bank Loan

During the year drawdowns totalling £1,000,000 were made from the Acquisition Facility bank loan. The loan is repayable in quarterly instalments of 6.25% of the capital balance commencing on 30 June 2019 and ending with a balloon payment of 31.25% on 11 May 2022. The Acquisition Facility loan incurs an interest charge of 3.75% above LIBOR which is settled in the same repayment profile noted above. The balance is shown net of unamortised arrangement fees which are being charged to the Statement of Comprehensive Income over the term of the loan.

All bank loans are denominated in Sterling and are secured by an unlimited debenture over all assets of the Group and Company.

Loan Notes

On 11 May 2016 loan notes totalling £48,828,499 were issued by the Group. The loan notes are repayable on their maturity in May 2022 and carry interest at a fixed rate of 12% per annum, 2% of which is repayable semi-annually on 31 March and 30 September each year. Loan notes are unsecured.

19 Finance leases

The group has future minimum finance lease payments as follows:

	2018 £	2017 £
Not later than one year	34,232	32,013
Later than one year and not later than five years	13,406	5,091
Later than five years	-	-
Total gross payments	47,638	37,104
Less: finance charges	-	(1,937)
Carrying amount of liability	47,638	35,167

20 Share capital

Allotted, called up and fully paid shares

	2018		2017	
	No.	£	No.	£
Ordinary A shares of £0.001	325,000	325	325,000	325
Ordinary B shares of £0.001	230,633	231	230,633	231
Ordinary C1 shares of £0.001	155,000	155	155,000	155
Ordinary C2 shares of £0.001	20,000	20	-	-
Ordinary D shares of £0.001	239,367	239	239,367	239
Ordinary E shares of £0.003	20,000	60	20,000	60
	990,000	1,030	970,000	1,010

Issue and allotment of share capital

During the year 155,000 Ordinary C Shares were renamed Ordinary C1 Shares.

During the year 20,000 Ordinary C2 Shares with an aggregate nominal value of £20 were issued for consideration of £2,000.

Share rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:

The Ordinary A shares have attached to them full voting (one vote per share), dividend and capital distribution (including winding up) rights. In the event of a material default and subject to the 'Voting Adjustment Notice', the voting rights of the A shares increase to 100,000 votes per share until such a time that the material default has been rectified or the Voting Adjustment Notice is revoked. The Ordinary A shares are not redeemable.

The Ordinary B shares have attached to them full voting (one vote per share), dividend and capital distribution (including winding up) rights. The Ordinary B shares are not redeemable.

The Ordinary C1 shares have attached to them full voting (one vote per share), dividend and capital distribution (including winding up) rights. The Ordinary C1 shares are not redeemable.

The Ordinary C2 shares have attached to them full dividend and capital distribution (including winding up) rights. The Ordinary C shares are not redeemable and they do not hold any right to vote.

The Ordinary D shares have attached to them full voting (one vote per share), dividend and capital distribution (including winding up) rights. The Ordinary D shares are not redeemable.

20 Share capital (continued)

The Ordinary E shares have attached to them full voting (2.75 votes per share), dividend and capital distribution (including winding up) rights. The Ordinary E shares are not redeemable.

21 Commitments

Group

The Group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2018 £	2017 £
Payments due:		
Not later than one year	646,429	655,695
Later than one year and not later than five years	2,120,925	1,380,215
Later than five years	487,500	442,752
	3,254,854	2,478,662

The Group had no other off balance sheet arrangements or commitments.

Company

The Company had no capital or other commitments at 31 March 2018.

22 Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £97,076 (2017 - £36,749). Contributions totalling £5,926 (2017 - £nil) were payable to the fund at the balance sheet date.

23 Related party transactions

Investor shareholder loan notes and other transactions

During the year loan notes totalling £nil (2017 - £22,217,861) were issued to shareholders of the parent company. The loan notes attract interest at a rate of 12% and during the period a total of £2,903,540 (2017 - £2,373,963) was charged to the Statement of Comprehensive Income, £547,569 (2017 - £205,651) of which was paid. At the period end, the total amount due to shareholders in the parent company in relation to loan notes and accrued interest was £26,615,780 (2017 - £24,386,173).

During the period, fees and disbursements totalling £103,971 (2017 - £83,417) were paid to investor shareholders.

Director shareholder loan notes

During the year loan notes totalling £nil (2017 - £26,357,999) were issued to director shareholders of the intermediate parent company, Southern Communications Investments Limited. Immediately following their issue, these loan notes were exchanged for loan notes in the ultimate parent company, Southern Communications Group Limited, totalling £nil (2017 - £26,330,937) plus shares, also in the ultimate parent company. The loan notes attract interest at a rate of 12% and during the period a total of £3,474,073 (2017 - £2,804,786) was charged to the Statement of Comprehensive Income, £412,346 (2017 - £166,639) of which was paid. At the period end, the total amount due to shareholders in the ultimate parent company in relation to loan notes and accrued interest was £31,845,667 (2017 - £28,969,084).

23 Related party transactions (continued)

Further loan notes of £nil (2017 - £252,639) were also subscribed to by the non-executive director shareholder. These loan notes attract interest at a rate of 12% and during the period a total of £33,356 (2017 - £26,911) was charged to the Statement of Comprehensive Income, £5,305 (2017 - £1,584) of which was paid. At the period end, the total amount due to the non-executive director shareholder in relation to loan notes and accrued interest was £311,322 (2017 - £277,966).

Transactions with close family members

During the period, the Group made sales totalling £25,809 (2017 - £13,407) to a company where significant influence is held by a close family member of a director. The Group also made purchases totalling £nil (2017 - £132) from the same company. At the balance sheet date, the amount due from the company was £nil (2017 - £nil).

24 Financial instruments

Group

	2018 £	2017 £
Financial assets that are debt instruments measured at amortised cost	3,054,287	1,955,444
Financial liabilities measured at amortised cost	(33,105,449)	(31,255,872)
Financial liabilities measured at fair value through profit or loss	(58,548,830)	(53,311,745)

Company

	2018 £	2017 £
Financial assets that are debt instruments measured at amortised cost	33,509,688	30,050,149
Financial liabilities measured at amortised cost	(2,232,692)	(725,354)
Financial liabilities measured at fair value through profit or loss	(31,933,050)	(29,115,581)

Financial assets that are debt instruments measured at amortised cost comprise trade and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors (including taxation) and other loans.

Financial liabilities measured at fair value through profit or loss comprise loan notes classified as complex financial instruments.

Financial instruments at fair value through profit and loss have been measured by the directors considering changes in both liquidity, market and credit risk as well as the characteristics and terms of the financial instruments, specifically, the interest rates attached to them and the perceived likelihood of certain clauses being enforced. It is the opinion of the directors that the fair value of the financial liabilities at fair value through profit and loss is not materially different to the initial transaction price. Accordingly, no changes to fair value have been recognised in the period on such financial liabilities and there is no difference between the carrying amount reported and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.

25 Post balance sheet events

In April 2018 the group acquired the entire share capital of 3 Circles Limited and EtAl Innovations Limited which trades in the market as MyPhones.com and is one of the most developed hosted telephony solution providers in the UK with c50,000 live hosted seats. This is in line with the Group's plan to expand rapidly through a mixture of controlled organic growth and sustainable acquisitions.

In August 2018 the Group refinanced with Santander and Ares Management. This gives the Group a £30 million acquisition facility, with the ability to flex higher.

26 Control

The directors believe there to be no ultimate controlling party.