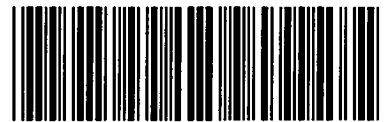


Financial Statements Commify UK Limited

For the year ended 31 December 2022

Registered number: 04217280

SATURDAY



ACBQ3KXT

A13

09/09/2023

#65

COMPANIES HOUSE

Commify UK Limited

Company Information

Directors	P E J Burton R J Hanscott D S Malone V Manani T M Rahder H D Robinson (resigned 28 April 2023)
Registered number	04217280
Registered office	20 Wollaton Street Nottingham Nottinghamshire NG1 5FW United Kingdom
Trading address	20 Wollaton Street Nottingham Nottinghamshire NG1 5FW United Kingdom
Independent auditor	Ernst & Young LLP 1 Colmore Square Birmingham West Midlands B4 6HQ United Kingdom

Commify UK Limited

Contents

	Page
Strategic Report	1 - 7
Directors' Report	8 – 10
Independent Auditor's Report to the Members of Commify UK Limited	11 – 13
Profit and Loss Account	14
Balance Sheet	15
Statement of Changes in Equity	16
Notes to the financial statements	17 - 38

Commify UK Limited

Strategic Report

For the year ended 31 December 2022

Introduction

The Directors present their strategic report and the financial statements for Commify UK Limited ("the Company") For the year ended 31 December 2022.

In the year the Company completed the acquisition of Mobile Messaging Group Ltd and Bulk SMS Ltd (who trade under the Voodoo brand), strengthening its position as the UK's premier provider of mobile messaging solutions. See note 17 for details of this acquisition.

The Company also continued the integration of prior year acquisitions, rolling out tools to optimise customer facing and back-office operations, and continuing the review and rationalisation of messaging platforms. Significantly, the Company is also now close to completing the initial development of a brand-new messaging platform (known as Titan).

Although the latter part of 2022 was impacted by a weakening economic environment, the Company has grown revenue and gross profit for the full year by 12.3% and 0.9% respectively. It is worth noting that these growth rates are distorted by:

- the annualisation of the hive up of the trade and assets of the wholly owned TA and MB Limited subsidiary into the Company on 30 June 2021;
- the annualisation of the sale of the Company's French and German customer bases to other entities in the Commify Topco Limited group ("the Group") on 31 July 2021; and
- the hive up of the trade and assets of Bulk SMS Ltd into the Company on 31 October 2022.

Principal Activities

The principal activity of the Company is that of a technology company providing business communication services in the UK, Ireland and (prior to the sale of the Company's French and German customer bases during 2021) Continental Europe.

The primary services centre on the provision of SMS messaging products and software for customers, and the Company also has a growing offering of other innovative messaging solutions, utilising channels such as WhatsApp, RCS (Rich Communication Services), email, voice, web and other mobile communication channels.

Business Review

During the year to 31 December 2022, the Company had Revenue of £57,086k (2021: £50,816k), Gross Profit of 30.5% (2021: 34.0%) and Operating EBITDA of £13,025k (2021: £13,069k). See Table 1 for a Reconciliation of Operating EBITDA to Operating Profit.

Throughout the year the Company has continued to invest in staff, infrastructure and product development to support organic growth, win new customers, integrate acquired businesses and differentiate the Company from competitors. These costs contribute to the majority of the Administrative expenses within the Profit and Loss Account.

In addition, the Company capitalised £3,044k (2021: £3,333k) of development costs during the year (see note 14), with this increase reflecting the material investment being made in Commify's future software platform.

Key Performance Measures

The primary measure used by the Directors to measure the performance of the Company is Operating EBITDA. Overall, the board consider the following indicators to be important in measuring the performance of the Company:

- Gross profit % - 30.5% (2021: 34.0%)
- Operating EBITDA – £13,025k (2021: £13,069k)
- Proportion of Revenue from non-SMS messaging sources – 8.9% (2021: 8.7%)

Strategic Report (continued)

For the year ended 31 December 2022

Key Performance Measures (continued)

Operating EBITDA as used to measure the performance of the Company differs from the Operating Profit measure shown in the Profit and Loss Account due to the following reconciling items:

Table 1 – Operating Profit to Operating EBITDA Reconciliation

	Year ended 31 December 2022	Year ended 31 December 2021
	£'000	£'000
Operating Profit per Profit and Loss Account	(84)	2,214
Adjustments:		
Depreciation of Tangible Assets (see note 13)	493	470
Depreciation of Right-of-use assets (see note 15)	484	340
Amortisation of Intangible Assets (see note 14)	5,096	2,678
Impairment of investments (see note 16)	6,114	6,316
Acquisition Costs and other Exceptional Items (see note 7)	922	1,051
Operating EBITDA	13,025	13,069

Principal risks and uncertainties

The Company's operations expose it to a variety of risks, the principal of which are set out below:

- **Economic risks**

The Company is subject to the strength of the local economies in which it trades. However, the number of individual customers, and their industry spread, ensures no reliance on any individual or group of customers.

Cost price risk

The impact of Russia's invasion of the Ukraine and the re-opening of the economy following the Covid-19 pandemic, has resulted in significant inflationary increases in SMS cost prices during the year. In percentage terms, the inflation impact has been most notable in the increase in the cost of utilities, and the energy intensive services provided to the Company (such as data centre costs) however there has also been a knock-on impact on staff costs and the majority of the Company's other costs have increased during the year. Partly as a result, the Company increased sales prices to its customer base. The limited impact on sales volumes from these price increases reflects the strength of the Company's service offering.

Recession risk

The impact on end users of the Company's services of the increased cost prices noted above and of higher interest rates, has or is expected to push the Company's primary market into or close to recession. This slowdown in economic activity will reduce demand for the Company's services in some areas. The broad range of industry segments that the Company operates in, and wide variety of use cases for its services – including areas such as financial services, logistics and healthcare that are resistant to recession - and the evidence of past economic slowdowns, give the Directors confidence that the Company can continue to grow, albeit at a potentially slower rate, in this recessionary environment.

Climate risk

In common with all global businesses, the ongoing climate emergency represents a risk to the Company's future operations and profitability. The nature of the Company's operations mean that this risk is not expected to have a direct impact on future revenues – and the move to more sustainable methods of communication may present an opportunity for growth – but changes in the regulatory environment or actions needed to mitigate the impacts of climate change may increase costs in the future. In addition, climate change may impact on the economies in which the Company operates (in terms of lower economic growth and changes in the profitability of specific industries that make up part of the Company's customer base).

If the Company fails to adapt its strategy and business model to changes in regulatory requirements and customer or supplier expectations on a timely basis, it may have a material and adverse impact on the Company's future growth. At present, it is not considered possible to quantify the impact or timing of this climate risk and, as there is also a potential upside from the Company's services being a relatively sustainable form of communication, climate risks have not been included in the consideration of discount rates or the going concern assessment.

Strategic Report (continued)

For the year ended 31 December 2022

- **Competitive risks**

The Company is a leading provider of mission critical business messaging for customers and differentiates itself by aiming to provide an unrivalled quality of service and innovative products.

The Directors believe that a significant ongoing risk to the business is the potentially disruptive effect of new messaging technologies. Whilst the Directors see no immediate threat, the Company is constantly addressing this risk through a continuous research and development programme. This means that whilst this has been noted as an area of threat, it also opens up future opportunities for the business – particularly in relation to the roll-out of Rich Communication Services and Facebook / WhatsApp messaging that is currently underway across Mobile Network Operators.

- **Financial risks**

Foreign currency risk - A proportion of the Company's Revenue is earned in Euros – primarily in relation to sales in the Republic of Ireland. To offset this risk a proportion of the costs of the business are denominated in Euros.

Credit risk - The Company has policies that require appropriate credit checks on all potential customers before credit is granted. Smaller customers are generally required to make payment in advance of being able to use the Company's services. Many significant customers pay by direct debit, credit limits are reviewed on a regular basis and the Company performs regular detailed reviews of all outstanding debts to ensure the Balance Sheet value is fairly stated.

Liquidity risk - The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable cash needs. This approach involves regular reconciliation and review of the full Balance Sheet, comprehensive credit control policies and a rolling cash forecasting procedure that gives early visibility of any potential liquidity issues that could result in the Company being unable to pay its debts as they fall due.

People risk – The Company is reliant on key employees to maintain its competitive advantage. The Company manages this risk through effective management, training and development, and the alignment of pay and benefits to market rates and the use of short-term contractors where required.

Regulatory risk – The Company operates in a highly regulated environment and is subject to a changing and increasing number of laws and regulations relating to communications, data protection and credit card payments, amongst other items. This risk is managed via a dedicated Legal and Compliance team with responsibility for ensuring compliance with all operational regulations, including Global Data Protection Regulations, and through maintaining the ISO27001:2013 standard for information security.

- **Technology risks**

The online and e-commerce nature of the Company's operations mean that it is exposed to the following potentially significant technology based risks:

Cyber-crime and data protection risk – The potential to be a victim of cyber-crime is a feature of operating an e-commerce business, and the Board are acutely aware of this risk. As a result, the Company invests significant resources in people, processes and technology to prevent and detect potential online security breaches. This includes an extensive programme of work that focusses on external and internal vulnerability scanning and third-party penetration testing, as well as the use of external specialists, staff training, and best practice updates on cyber security, data protection, social engineering information security and data protection. In addition, there is a system of centralised intelligence gathering on customer sign-ups to reduce the risk of the Company's services being used for fraudulent purposes.

IT systems failure risk – The Company's operations are dependent on electronic platforms and networks, including the internet and both internal and external messaging platforms, for the delivery of our products and services. These could be adversely impacted if they experience a significant failure, interruption or breach.

As a result, the Company has established procedures for the protection of our technology assets. These include the development of business continuity plans, including IT disaster recovery plans and back-up delivery systems, to reduce the likelihood and impact of business disruption in the event of a major technology failure.

Strategic Report (continued)

For the year ended 31 December 2022

Corporate and social responsibility

Employment Policies

The Company is an equal opportunities employer and ensures that all employees and job applicants are given equal opportunity. Furthermore, the Company believes it is essential to value and respect all employees as individuals and concentrate on people's strengths to ensure a diverse and successful workforce.

Recruitment and Retention

The Company's commitment remains to attract, lead, develop, manage and retain highly motivated, high performing people who work proactively toward delivering the Company's goals.

Employee Engagement

The Company is keen to involve its employees in the decision-making process of the business and places considerable value on their engagement. Amongst other methods, this is measured via quarterly anonymous employee surveys, monthly full company "Town Hall" meetings and the on-going opportunity staff have to submit anonymous questions to the senior management group. In addition, the Company has a Staff Council, which is given considerable autonomy in respect of Corporate Social Responsibility initiatives and staff social and welfare activities.

Data Security

As a Data Processor for our customers' personal data, the Company takes data security extremely seriously. Trading entities representing the majority of the Company's gross profit are certified to the ISO27001:2013 standard for information security covering the full scope of their services.

S172(1) statement

The Directors are well aware of their duty under s172(1) of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its stakeholders as a whole, and in doing so, to have a regard (amongst other matters) to:

- The likely consequences of any decision in the long term;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with suppliers, customers, and others;
- The impact of the Company's operations on the community and the environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly towards all stakeholders of the Company.

The Board determines the strategic objectives and policies of the Company to best support the delivery of long-term value, providing overall strategic direction within an appropriate framework of controls, delegated authority, and rewards.

The Board is collectively responsible for the success of the Company: the executive Directors are directly responsible for running the business operations; and the Non-Executive Directors must satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust. Following presentations by executive management, and a disciplined process of review and challenge by the Board, clear decisions on policy or strategy are adopted, and the executive management appropriately empowered to implement those decisions.

Strategic Report (continued)

For the year ended 31 December 2022

Stakeholders Statement

Stakeholder	Strategic importance	How the Board engages with stakeholders and summarises its obligations
Workforce	<p>Our people are key to our business</p> <p>We want our people to feel engaged and empowered to deliver great outcomes for our customers</p> <p>We want our people to feel part of a community, with opportunities to socialise, enjoy themselves at work and grow as individuals</p>	<p>Following the easing of Covid-19 restrictions, during January 2022 we carried out a 'Return to Work' survey with staff. We have also continued our programme of staff surveys with response rates of over 80% and a positive employee Net Promoter Score (NPS).</p> <p>As a result of these surveys we implemented a permanent hybrid working policy in the Company, and have also renewed our focus on internal communications and in-person meetings, including a gathering of the senior management team for a strategic review.</p> <p>These initiatives, plus access to senior management through chat channels and the office visits referred to above, ensure that the entire workforce can voice concerns and ask questions directly to leadership.</p> <p>Throughout 2022, Commify also maintained its programme of numerous informal social interactions and events.</p>
Customers	<p>Customers are at the heart of our business</p> <p>We aim to deliver truly outstanding customer experiences, ensure great outcomes and value for money</p>	<p>2022 marked a return to a wider range of customer engagement methods, as the restrictions imposed by Covid 19 eased. For the first time since 2019, customer face to face events were held, with an emphasis on helping our customers to understand how to extract maximum value from the Commify solutions they are using and keeping them abreast of the latest developments in conversational messaging.</p> <p>Conversational messaging was a consistent theme in 2022 for Commify and our customers, as the value of moving to 2-way communication from one way, notification-based messaging, was better understood. Businesses are seeing the opportunity in being able to provide personalised communication with their customers. To better reflect this, the Esendex brand was relaunched in H1 as a conversational messaging CPaaS provider.</p> <p>While universal conversational messaging is still at an early stage of the adoption cycle, Commify is working hard to make it accessible to all customers across the globe. In support of this strategy, Commify completed the product development and accreditation process with Meta in H2 2022 to become a Business Solutions Partner ('BSP'), which allows Commify to provide direct access to Meta's messaging services (primarily WhatsApp) for the first time.</p> <p>Customer sentiment remained extremely positive, with the 2022 NPS score of +46 being a slight improvement on the already strong 2021 score of +44. Insight gained from NPS and other customer surveys was instrumental in designing the new Esendex platform front end, which was launched to UK customers in H2 2022. Data from customer usage is demonstrating a significantly higher conversion rate of messaging trialists compared to the previous version, which bodes well for the roll out of the new platform front end in 2023.</p>

Strategic Report (continued)

For the year ended 31 December 2022

Stakeholders Statement (continued)

Stakeholder	Strategic importance	How the Board engages with stakeholders and summarises its obligations
Suppliers	Our suppliers are critical to ensuring we can deliver a high-quality service to our customers	<p>The Board recognises the strategic importance of global Mobile Network Operators ('MNOs') to the Company.</p> <p>During 2022, engagement with these suppliers included Executive and Non-Executive Director meetings with MNOs, as well as strengthening relationships with Over The Top (OTT) suppliers, in particular with Meta. During the year Commify were excited to win 'preferred partner' status with Meta for the WhatsApp messaging platform.</p> <p>The Board understands the importance of treating our suppliers fairly, adhering to contractual agreements and paying within agreed timescales. We participated in the UK Prompt Payment Reporting scheme for the first time in 2022, with the closing position showing average supplier payment days of 36.</p>
Government	Ensuring compliance with local legislation and government guidance is an important element of Commify's operational controls	<p>The Board continues to delegate authority to executive management to engage with the government and its agencies as required.</p> <p>Local management ensured adherence with governmental advice in respect of employee safety, post pandemic office opening and any other changes in legislative conditions.</p>

Principal Decisions Statement

Principal decisions taken in 2022	Stakeholder & Long-Term Considerations
Detailed strategic review / 5 year plan	<p>In Q2 2022, the Board and Executive management team updated the five-year business plan for Commify that the Company is included in.</p> <p>The overall strategy remains unchanged:-</p> <ul style="list-style-type: none"> - to invest in driving organic growth - to invest in our future messaging platforms - to continue to upgrade customer experience by migrating from acquired platforms and brands - to continue our programme of inorganic growth - In Q4, against a backdrop of inflation, potential recession and increased interest rates, the plan was revisited and it was agreed that the investment in future platforms and hence migrations from acquired platforms would move at a slower pace in 2023 than original envisaged.
Improving the Organisation – investment in talent	<p>Over the last two years significant investment has been made in senior management and their teams, deliberately aligned to our strategic ambitions of organic and inorganic growth and the building of Commify's future messaging platform.</p> <p>This investment continued into 2022 with material investment in new roles that included appointment of a Senior System Architect and increasing the capacity and capabilities of our cyber security resources</p>
Improving Customer Experience – investment in platform	<p>In the Summer of 2022, we released the first elements of our next generation messaging platform, namely a new User Interface for UK customers of the Esendex brand and a new Routing Gateway that connects Commify to Mobile Network Operators.</p> <p>Customer response has been overwhelmingly positive and the roll out of this software to further brands has commenced and will continue in 2023.</p> <p>The remaining elements of the platform build continue with releases scheduled for 2023.</p>

Strategic Report (continued)

For the year ended 31 December 2022

Principal Decisions Statement (continued)

<i>Improving Customer Experience - upgrading from legacy platforms</i>	<p>In 2022, we continued to support a programme of improving customer experience, and reducing cost and risk, by migrating customers from legacy platforms to our current flagship platform. By the end H1 we had migrated all customers associated with the Fast SMS platform and brand that had been acquired in 2018.</p> <p>This programme has now been re-phased to ensure that the new Titan platform is available to be the recipient platform, ensuring that migrated customers will have access to a world class messaging experience.</p>
<i>Acquiring the trade and assets of Bulk SMS Ltd (Voodoo)</i>	<p>The Board were very pleased to welcome the Voodoo team to the Company in 2022. This acquisition and subsequent hive-up has resulted in the acquisition of a high growth, high quality UK brand.</p> <p>Not only did the Board want to ensure that Commify had the capacity financially and operationally to absorb the acquisition, we also needed to be sure that the business being acquired would demonstrate robust trading resilience and would not materially increase the Company's overall risk profile.</p> <p>The Board and advisors reviewed historic and recent trading data, alongside their existing knowledge of industry sectors impacted by Covid-19 and other growth trends, penetration testing results, and commercial insight with customers. In addition, legal, financial, tax and technical due diligence was undertaken before the Board decided that the acquisitions would be value creating.</p>

This report was approved by the board of Directors on 23 June 2023. Signed on behalf of the board of Directors:

Richard Hanscott

R J Hanscott
Director

Commify UK Limited

Directors' Report

For the year ended 31 December 2022

Directors

The Directors who served during the year were:

P E J Burton

R J Hanscott

D S Malone

V Manani

T M Rahder

H D Robinson (resigned on 28 April 2023)

Dividends

No dividends were paid in the current or prior year, and no final dividend is proposed (2021: £nil).

Research and development

The Company continually invests in research and development, both in respect of new products and the continual improvement of the current product set. Where allowed under FRS101, this expenditure is capitalised and included on the Balance Sheet as an Intangible Asset which is then amortised over its useful life. The Directors regard this investment as fundamental to maintaining competitive advantage, as noted in the section on Competitive Risks in the Strategic Report.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 7, and Notes 3 and 19 of the Financial Statements include a description of the Company's policies and processes for managing its capital, details of its financial instruments, and its exposure to credit risk and liquidity risk.

The Group undertook Going Concern modelling on a consolidated basis, and this modelling included the forecast performance of the Company. A letter of support for the period to 30 June 2024 has been obtained from Commify Topco Limited, which has access to all trading cashflows generated by the Group and is the level at which the consolidated modelling was performed. The Company has common Directors with Commify Topco Limited, and these Directors have sufficient oversight of the modelling to confirm that reliance on this support is appropriate.

The modelling undertaken by the Group included stress testing that reflects the current global economic climate and in particular inflationary pressure and the Group and Company's ability to pass through price rises to customers. The Company has successfully passed on input price increases during the last three years and the Board remains confident that this can continue.

The Board has performed a number of stress tests to assess the Group's ability to continue as a Going Concern for a period of at least 12 months from the date of approval of these financial statements, with a focus on the sufficiency of liquidity to fund operations.

The Directors have prepared forecasts covering a period through to 30 June 2024. These forecasts reflect an assessment of current and future market conditions and their impact on the Group's future profitability and cashflows. The forecasts have been sensitised for a reduction in revenue to the end of the review period with the impact on profitability and cash flow considered. The forecasts have also been reverse stress tested without applying cost mitigations. The resulting break points are without increased revenue which is well beyond the Director's expectations and at levels which are materially below the current trading conditions. Remedial mitigation of the reduced revenue levels are achievable through cost reduction that is within the Director's control and results in relatively immaterial adjustments to the variable cost base. It demonstrates sufficient headroom and a low risk of breach.

Having considered all the above, including the Company's current financial position, the letter of support and Commify Topco Limited's access to all trading cashflows of the Group, the Directors remain confident in the long-term future prospects for the Company and its ability to continue in operational existence for at least one year following the date of signing these accounts and therefore continue to adopt the going concern basis in preparing the financial statements.

Events after the reporting period

As at the date of signing these accounts there have been no events since the balance sheet date that require disclosure in these accounts.

Commify UK Limited

Directors' Report (continued)

For the year ended 31 December 2022

Political donations

No political donations were made during the year (2021: £nil).

Environmental performance

Greenhouse gas emissions reporting

The Company reports its United Kingdom and Ireland greenhouse gas emissions in tonnes of carbon dioxide equivalent. The emissions of the Company result from the use of leased offices and from employee business travel. All Greenhouse gas emissions are classed as indirect scope 2 emissions. Emissions are detailed in the table below.

Emission generating activity	2022		2021	
	Emission measure	Co2 generated (tons)	Emission measure	Co2 generated (tons)
Lease of offices	126 Kw/h	30	86 Kw/h	20
Car travel	9.8k miles	4	15.8k miles	6
Total Co2 emissions for the year		34		26

In 2022, these greenhouse gas emissions equated to 0.47 tons (2021: 0.46 tons) of Carbon Dioxide equivalent per €1m of United Kingdom and Ireland revenue (including inter-segment revenue). The Company continues to monitor its emissions through regular reviews of the amount and nature of its travel and property costs and has invested in equipment that reduces the need for staff, customer and supplier travel.

Methodology

Our greenhouse gas emissions have been calculated in relation to the Company's United Kingdom and Ireland segmental revenue. This intensity metric was deemed to be the most appropriate as the UK emissions of the Company are directly attributable to the creation of this segment's revenue.

Emissions in respect of leased offices have been derived from consumption information included on utility bills. Details of employee travel is gathered during the year and emissions are calculated by reference to average emissions per car mile travelled.

Qualifying third party indemnity provisions

The Group has made qualifying third-party indemnity provisions for the benefit of its Directors. These were made during the year and remain in force at the reporting date.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations. Principal risks and uncertainties, supplier payment policy, employee involvement, disabled persons and future developments are discussed in the Strategic report.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 101 'Reduced Disclosure Framework', 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 for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether applicable United Kingdom Accounting Standards including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company will not continue in business.

Directors' Report (continued)

For the year ended 31 December 2022

Directors' responsibilities statement (continued)

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. The Directors 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.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report and Directors' report, that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Disclosure of information to the auditors

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

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditor

The auditor, Ernst and Young LLP, has expressed willingness to be re-appointed.

This report was approved by the board of Directors on 23 June 2023.

Signed on behalf of the board of Directors:



R J Hanscott
Director

Independent Auditor's Report to the Members of Commify UK Limited

For the year ended 31 December 2022

Opinion

We have audited the financial statements of Commify UK Limited for the year ended 31 December 2022 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 27, 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 101 "Reduced Disclosure Framework" ('FRS 101') (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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the period to 30 June 2024.

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

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Independent Auditor's Report to the Members of Commify UK Limited (continued)

For the year ended 31 December 2022

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.

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 9, 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.

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework FRS101, Companies Act 2006 and the relevant tax compliance regulations in the regions in which the company operates.

Independent Auditor's Report to the Members of Commify UK Limited (continued)

For the year ended 31 December 2022

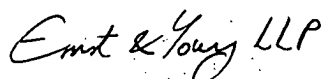
- We understood how the company is complying with those frameworks by making enquiries of management and those charged with governance. We corroborated those enquiries through our review of Board minutes and noted that there was no contradictory evidence.
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur by considering the risk assessment performed by management, understanding the controls in place to mitigate fraud and considering which areas may be most susceptible to the risk of management override. We also performed risk assessment analytical procedures and identified sources and types of journal entries in the company's financial processes. Any fraud risk factors identified were evaluated to identify risk of material misstatement due to fraud as well as the presumptive risk of material misstatement due to fraud in respect of revenue recognition and management override.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved using data analytic approaches to identify any unusual journal entries, including any in the revenue process and obtaining evidence that those journals are authorised, supported by appropriate documentation and have been accounted for appropriately. We also made enquiries of those charged with governance and those outside of the finance function as to whether there was any actual or suspected fraud. These procedures were designed to provide reasonable assurance that the company financial statements were free from material misstatement due to fraud.

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.



James Golder (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

23 June 2023

Commify UK Limited

Profit and Loss Account

For the year ended 31 December 2022

	Note	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Revenue	5	57,086	50,816
Cost of sales		(39,659)	(33,542)
Gross profit		17,427	17,274
Other operating income	6	4,510	3,008
<u>Administrative expenses:</u>			
Depreciation of tangible assets	13	(453)	(470)
Depreciation of right-of-use assets	15	(484)	(340)
Amortisation of intangible assets	14	(5,096)	(2,678)
Acquisition costs and other exceptional items	7	(922)	(1,051)
Impairment of investments on hive-up	16	(6,114)	(6,316)
Other administrative expenses		(8,952)	(7,213)
Total administrative expenses		(22,021)	(18,068)
Operating profit		(84)	2,214
Finance income	9	1,956	1,625
Finance costs	10	(100)	(125)
Profit before taxation	8	1,772	3,714
Tax on profit	12	(1,423)	(2,206)
Profit and total comprehensive income for the year		349	1,508

This Profit and Loss Account has been prepared on the basis that all operations are continuing operations.

All profits are attributable to the owners of the parent company.

The notes on pages 17 to 38 form part of these financial statements

Commify UK Limited

Balance Sheet

As at 31 December 2021

	Note	31 December 2022 £'000	31 December 2021 £'000
Non-current assets			
Property, plant and equipment	13	730	776
Right-of-use assets	15	1,130	239
Intangible assets	14	23,645	15,503
Trade and other debtors	19	34,224	78
Investments	16	719	4,976
		<u>60,448</u>	<u>21,572</u>
Current assets			
Trade and other debtors	19	10,584	41,616
Corporation tax receivable		915	474
Cash and short term deposits	20	3,434	2,584
		<u>14,933</u>	<u>44,674</u>
Total assets		75,381	66,246
Non-current liabilities			
Lease liabilities	15	(872)	(3)
Deferred tax liability	22	(3,065)	(2,710)
Total non-current liabilities		(3,937)	(2,713)
Current liabilities			
Trade and other payables	21	(20,805)	(19,286)
Lease liabilities	15	(265)	(291)
Corporation tax liability		(193)	(128)
Total current liabilities		(21,263)	(19,705)
Total liabilities		(25,200)	(22,418)
Net assets		50,181	43,828
Capital and reserves			
Called up share capital	23	-	-
Capital contribution reserve		177	69
Merger reserve	17	12,998	7,885
Profit and loss account		37,006	35,874
Total equity		50,181	43,828

All equity is attributable to owners of the parent company.

The notes on page 17 to 38 form part of these financial statements. The financial statements were approved by the board of Directors on 23 June 2023.

Signed on behalf of the board of Directors:

Richard Hanscott

R J Hanscott
Director
Company registration no: 04217280

Commify UK Limited

Statement of Changes in Equity

For the year ended 31 December 2022

Attributable to owners of Commify UK Limited						
	Note	Called-up share capital £'000	Capital contribution reserve £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
At 31 December 2020		-	22	-	34,019	34,041
Net profit for the year		-	-	-	1,508	1,508
Total comprehensive income for the year		-	-	-	1,508	1,508
Common business control combination	17	-	-	8,232	-	8,232
Capital contribution		-	47	-	-	47
Transfer between reserves		-	-	(347)	347	-
At 31 December 2021		-	69	7,885	35,874	43,828
Net profit for the year		-	-	-	349	349
Total comprehensive income for the year		-	-	-	349	349
Common control business combination	17	-	-	5,918	-	5,918
Capital contribution		-	86	-	-	86
Transfer between reserves		-	22	(805)	783	-
At 31 December 2022		-	177	12,998	37,006	50,181

Called-up share capital represents the nominal value of shares that have been issued.

Capital contribution reserves are created as a result of the issue of share-based payments by the Company's indirect parent, Commify Topco Limited to employees of the Company's subsidiaries.

Merger reserves were created as a result of the hive-up of trade and assets from Bulk SMS Ltd in 2022 and TA and MB Limited in 2021. Both of these were group entities before the hive-up. For more information, see note 17. The merger reserves are transferred to the Profit and loss account as the related intangible assets acquired are amortised.

The Profit and Loss Account includes all current and prior year retained profits and losses.

Notes to the Financial Statements

For the year ended 31 December 2022

1 General information

Commify UK Limited ("the Company") is a private company limited by shares incorporated in England and Wales. The registered office is 20 Wollaton Street, Nottingham, NG1 5FW.

The principal activity of Commify UK Limited is that of a technology company providing business to business transactional mobile messaging in the UK and throughout Europe.

2 Basis of preparation

The financial statements of Commify UK Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced disclosure Framework' ('FRS 101').

The functional currency of the Company is sterling and these financial statements are presented in sterling, rounded to the nearest thousand.

The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
 - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statements of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 111 (cash flow statement information); and
 - 134 – 136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirements for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirement in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

The judgements, 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 and in any future periods affected. The accounting policies set out below have (unless otherwise stated) been applied consistently to all periods present in these financial statements and have been applied consistently.

New and amended standards and interpretations

There are no amendments or interpretations that came into effect for the first time in 2022 that have had a material impact on the financial statements of the Company. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

2 Basis of preparation (continued)

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 7, and Notes 3 and 19 of the Financial Statements include a description of the Company's policies and processes for managing its capital, details of its financial instruments, and its exposure to credit risk and liquidity risk.

The Group undertook Going Concern modelling on a consolidated basis, and this modelling included the forecast performance of the Company. A letter of support for the period to 30 June 2024 has been obtained from Commify Topco Limited, which has access to all trading cashflows generated by the Group and is the level at which the consolidated modelling was performed. The Company has common Directors with Commify Topco Limited, and these Directors have sufficient oversight of the modelling to confirm that reliance on this support is appropriate.

The modelling undertaken by the Group included stress testing that reflects the current global economic climate and in particular inflationary pressure and the Group and Company's ability to pass through price rises to customers. The Company has successfully passed on input price increases during the last three years and the Board remains confident that this can continue.

The Board has performed a number of stress tests to assess the Group's ability to continue as a Going Concern for a period of at least 12 months from the date of approval of these financial statements, with a focus on the sufficiency of liquidity to fund operations.

The Directors have prepared forecasts covering a period through to 30 June 2024. These forecasts reflect an assessment of current and future market conditions and their impact on the Group's future profitability and cashflows. The forecasts have been sensitised for a reduction in revenue to the end of the review period with the impact on profitability and cash flow considered. The forecasts have also been reverse stress tested without applying cost mitigations. The resulting break points are without increased revenue which is well beyond the Director's expectations and at levels which are materially below the current trading conditions. Remedial mitigation of the reduced revenue levels are achievable through cost reduction that is within the Director's control and results in relatively immaterial adjustments to the variable cost base. It demonstrates sufficient headroom and a low risk of breach.

Having considered all the above, including the Company's current financial position, the letter of support and Commify Topco Limited's access to all trading cashflows of the Group, the Directors remain confident in the long-term future prospects for the Company and its ability to continue in operational existence for at least one year following the date of signing these accounts and therefore continue to adopt the going concern basis in preparing the financial statements.

3 Significant accounting policies

3.1 Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the financial statements. The investments are reviewed for indicators of impairment at each reporting date and, in the event of any impairment being identified, the losses are recognised immediately in the Profit and Loss Account, as are any reversals of previous impairment losses.

Where assets of subsidiaries are hived-up into the Company, this is done as a common control business combination whereby the assets are transferred into the Company at their net book value without any cash consideration being paid. Thereafter the investment value is reduced to its recoverable amount, recognising the reduced remaining value of the subsidiary.

3.2 Revenue recognition

IFRS 15 and its related amendments apply to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. It requires revenue to be recognised when (or as) control of a good or service transfers to a customer at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires enhanced and extensive disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

3 Significant accounting policies (continued)

3.2 Revenue recognition (continued)

The Company provides business communication services. The majority of revenue derives from the sale of SMS credits and is recognised based on the actual number of credits used in the reporting period. Revenue from set up and other support services is recognised as performance obligations are satisfied. For most sales, the enforceable contract is the individual purchase order, which is an individual, short term contract. As the enforceable contract for most arrangements is the purchase order, the transaction price is determined at the date of each sale and, therefore, there is no future variability that is within scope of IFRS 15 and no further remaining performance obligations under those contracts.

When the Company sells multiple services as a package, the components are separated and accounted for separately to the extent that this is material.

Revenue received before services are delivered is recognised as deferred income and transferred to the profit and loss account once the services have been performed.

3.3 Foreign currency

The Company's functional currency is Sterling (£).

(a) Functional and presentational currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The Financial Statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the Profit and Loss Account.

3.4 Employee benefits - Defined contribution pension schemes

Pensions to employees are provided through contributions to individual personal pension plans. A defined contribution plan is a pension plan under which the Company pays fixed contributions into an independent entity. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognised in respect of personal pension plans are expensed as they fall due. Liabilities and assets may be recognised if an underpayment or prepayment has occurred and are included in current liabilities or current assets as appropriate.

3.5 Exceptional items

Exceptional items are material items which arise from unusual, non-recurring or non-trading events. This includes items (such as costs relating to acquisitions) that have occurred in more than one period but are unusual or non-trading and of significant enough size to distort analysis of the Company's performance if not separately disclosed.

Exceptional items are separately disclosed in aggregate on the Profit and Loss Account where in the opinion of the Directors such disclosure is necessary in order to fairly present the results for the period. See note 7 for the items disclosed in the current year.

3.6 Taxation

Income tax comprises both the income tax payable, based on taxable profits for the year, and deferred tax.

The current tax payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the Profit and Loss Account because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting year.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

3 Significant accounting policies (continued)

3.6 Taxation (continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or, the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3.7 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged on these assets on a straight-line basis over the estimated useful economic life of each asset. Material residual value estimates and useful economic lives are updated as required and at least annually. The expected lives applicable are shown below, though a shorter life will be applied if an asset is deemed to have a shorter useful economic life:

- Fixtures and fittings	3 – 5 years
- Office equipment	3 – 5 years
- Computer equipment	3 – 5 years
- Leasehold Improvements	3 – 5 years

3.8 Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use) at cost. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are subsequently measured net of accumulated depreciation and impairment losses and are adjusted for any remeasurement of lease liabilities. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment reviews.

The lease term is determined by considering the contract terms, and the Company strategy, for each lease. This review takes into account any available extension and termination options, applying judgement on whether the Company intends to utilise any options to extend.

3.9 Intangible assets

Intangible assets acquired separately

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged on these assets on a straight-line basis over the estimated useful economic life of each asset. Material residual value estimates and useful economic lives are updated as required and at least annually.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

3 Significant accounting policies (continued)

3.9 Intangible assets (continued)

Capitalised development costs

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

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

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised over 3 – 5 years from the point at which the asset is ready for use.

Goodwill

Goodwill is initially measured at cost (being the aggregate of the consideration transferred). Goodwill recognised on the acquisition of subsidiaries, or the acquisition of trade and assets is recognised on the face of the Balance Sheet.

Goodwill is not amortised, but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3.10 Impairment of assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.11 Provisions for liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

3 Significant accounting policies (continued)

3.11 Provisions for liabilities (continued)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a debtor is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the debtor can be measured reliably.

3.12 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities are added to their fair value, as appropriate. Transaction costs directly attributable to the acquisition of financial assets held at amortised cost are capitalised.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

For purposes of subsequent measurement, financial assets held by the Company are classified as Financial assets at amortised cost (debt instruments).

Financial assets at amortised cost (debt instruments)

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest 'EIR' method and are subject to impairment.

Financial assets measured at amortised cost comprise cash at bank and in hand, trade and other debtors, and amounts owed by group companies.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's Balance Sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Company recognises an allowance for expected credit losses ('ECLs') for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

3 Significant accounting policies (continued)

3.12 Financial instruments (continued)

Impairment of financial assets

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company calculates ECLs based on its historical credit loss experience of similar financial assets. This, and the basis of provisions and write-offs made, is explained in note 19.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, and payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, lease liabilities, and amounts owed to group companies.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Payables

After initial recognition, payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Profit and Loss Account when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Profit and Loss Account.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable. No variable lease elements have been identified.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The rate implicit in the lease could not be readily determined and as such the incremental borrowing rate has been applied for all leases.

The incremental borrowing rate is the rate that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate for each lease was calculated by adjusting the Company's incremental borrowing rate for the applicable conditions of each lease.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. As such lease payments are allocated between the liability and finance cost. The finance cost is charged to the Profit and Loss Account over the lease period.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Profit and Loss Account.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

3 Significant accounting policies (continued)

3.12 Financial instruments (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.13 Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e., below £3,600). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.14 Share-based payments

Estimating fair values for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them.

The Company only has equity-settled transactions with non-market-based vesting conditions and as such the fair value of share-based payment transactions is determined using the Black-Scholes model. The 5 inputs to the model are share price, exercise price, expected life of the share option or appreciation right, risk free rate, and volatility.

4 Significant accounting judgements and estimates

In the application of the Company's accounting policies, which are described in note 3, the Directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

The judgements, 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 and in any future periods affected.

Judgements:

Valuation of intangible fixed assets

Judgements made in determining capitalised development costs relate to the assessment of individual projects against the criteria, as per the above accounting policy, as to whether the project is capital in nature. The value to capitalise is derived from timesheets completed by staff working on capital projects and salary information for these individuals. This timesheet system was implemented in the year and replaced a system whereby projects were assigned a points value based on estimated time and effort spent by a team, as described in the prior year financial statements. The useful economic life of each development project is estimated based on how long the Company judges that an economic benefit will be derived from the completed project.

Development expenditure is capitalised in accordance with the accounting policy given above. Initial capitalisation of costs is based on management's judgement that technical and economic feasibility is confirmed. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Alternative Performance Measures

The non IFRS performance measure used in the Strategic Report, and the classification of the costs detailed in note 7 as exceptional / non-recurring, is a matter of judgement. As such, a reconciliation of the non IFRS measure used to those in the Profit and Loss is presented, and care is taken to ensure that the measures and classifications used are the same as those used by the board, owners and senior management to judge the performance of the business.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

4 Significant accounting judgements and estimates (continued)

Estimates:

Impairment of Non-current assets

The Company considers whether tangible assets, intangible assets, right-of-use assets, and investments are impaired. Where an indication of impairment is identified, the Company estimates the recoverable value of the assets through estimation of future cash flows. This includes an estimation of an appropriate discount rate.

The impact of Brexit and the Covid-19 pandemic were both considered as part of the review for indicators of impairment, and both expected impacts also fed into the estimated future cash flows used to calculate recoverable values. No impairment was identified from these reviews. See note 16 for details of the impairments recognised as a result of the transfer of the customer base and assets of acquired subsidiaries.

Expected credit losses

At each reporting period, the Directors review outstanding debts and determine appropriate provision levels based on expected credit losses. The method for calculating expected credit loss is predicated on historical experience and hence there is an assumption that past experience will be reflective of future defaults. The Company's approach to calculating expected credit losses is detailed in note 19.

5 Revenue from contracts with customers

For the year ended 31 December 2022, all the Company's Revenue was for the rendering of business-to-business communication services. All significant revenue streams are recognised at a point in time.

The split of Revenue by territory for the year was:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
UK & Ireland	57,086	44,194
France	-	4,947
Germany	-	1,675
Total Revenue	57,086	50,816

On 30 June 2021 the Company transferred its French and German trade and associated assets to other group entities as part of an ongoing group rationalisation. As such all 2022 revenue relates to the UK and Ireland.

The Company has recognised the following liabilities related to contracts with customers:

	2022 £'000	2021 £'000
Deferred income – SMS sales	3,751	3,608

6 Other operating income

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Intra-group recharges	4,287	2,730
Research and Development expenditure credit	223	278
	4,510	3,008

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

7 Acquisition Costs and Other Exceptional Items

During the current and prior year, the Company recognised non-recurring costs in relation to:

- the acquisition of trade and assets of the Mobile Messaging Group Ltd and Bulk SMS Ltd (note A)
- the subsequent work to integrate acquired entities (note B)
- Staff restructuring costs (prior year only) (note C)
- Costs in relation to one-off cyber security enhancement work (note D)
- net income in respect of disposals of subsidiaries or trade (prior year only) (note E)

The table below quantifies the above items. In order to allow better understanding of financial performance in the current year and prior year, exceptional items are presented separately on the face of the Profit and Loss:

	Year ended 31 December 2022	Year ended 31 December 2021
	£'000	£'000
Costs relating to the acquisition of subsidiaries	185	2
Costs relating to the integration of acquired entities and transferred trade	712	904
Staff restructuring costs	-	240
One-off data and regulatory costs	25	461
Acquisition costs and other exceptional items	922	1,607
Net income from disposal of trade (note 18)	-	(543)
Net income from disposal of subsidiaries	-	(13)
Total exceptional costs	922	1,051

Note A – Acquisition of subsidiaries

External costs, mainly in relation to due diligence, legal services, travel and bonuses in relation to the Mobile Messaging Group Ltd and Bulk SMS Ltd acquisition (see note 17).

Note B – Integration

Costs relating to the integration of previously acquired entities into the Company's systems, processes and controls. This includes work relating to migrating the customers of acquired entities on to the Company's messaging platforms, as well as finance integrations, legal changes and brand rationalisations. Included within this cost is £578k (2021: £614k) relating to the salaries of employees who were working solely on this integration activity.

Note C – Staff restructuring (prior year only)

Payments to staff, and related legal costs, in relation to the restructuring of the Company's operations in the prior year.

Note D – One-off data and regulatory costs

One off costs relating to external inspections and work done in relation to improvements in the data, privacy and cyber security environment of the Company

Note E – Net income from disposal of trade and subsidiaries

During the prior year, as part of the Group's ongoing rationalisation, the Company transferred its French and German trade and associated assets to other group entities as part of an ongoing group rationalisation. For more information please see note 18. Other net income in the prior year relates to subsidiary disposals.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

8 Profit before taxation

The Profit before taxation is stated after:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Auditor's remuneration:		
Fees payable to the Company's auditor and its associates for:		
- Audit of the Company's annual accounts	55	50
Depreciation of owned tangible fixed assets (note 13)	453	470
Depreciation of right-of-use assets	484	340
Foreign exchange differences	225	(110)
Amortisation - capitalised development costs (note 14)	4,075	2,112
Amortisation - intangible assets acquired separately (note 14)	1,021	549
Impairment of investments (note 16)	6,114	6,316

9 Finance income

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
On loans to group companies	1,956	1,625
	<u>1,956</u>	<u>1,625</u>

10 Finance costs

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
On loans from group companies	58	58
Interest payable on lease liability	36	34
Other interest payable	6	33
	<u>100</u>	<u>125</u>

11 Directors' and employees' remuneration

Staff costs during the year were as follows:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Wages and salaries	7,119	5,396
Social security costs	789	747
Share based payments	315	243
Other people costs	553	702
	<u>8,776</u>	<u>7,088</u>

The Company operates a stakeholder defined contribution pension scheme for the benefit of the employees and Directors. The assets of the scheme are administered by an independent pension provider. The Company's legal or constructive obligation for these plans is limited to the employee contributions. The expense recognised in the current year in relation to these contributions was £315k (2021: £243k). Contributions of £227k (2021: £65k) were payable to the fund at the year end and are included in Accruals and other creditors.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

11 Directors' and employees' remuneration (continued)

The average number of employees (including Directors) of the Company during the year was:

	Year ended 31 December 2022	Year ended 31 December 2021
	No.	No.
Sales	47	49
Technical	83	71
Administration	32	26
	<u>162</u>	<u>146</u>

Directors' remuneration

The Company Directors are employed by another group company and as such their costs are fully recharged out of Commify UK Limited.

During the year, one Director (2021: one) participated in a defined contribution pension scheme.

12 Tax on profit

The tax charge is based on the profit for the year and represents:

	Year ended 31 December 2022	Year ended 31 December 2021
	£'000	£'000
<u>Current income tax:</u>		
Group relief payable	1,684	1,822
Adjustments in respect of current income tax of previous period	79	(28)
<u>Deferred taxation:</u>		
Origination and reversal of temporary differences	(211)	153
Adjustments in respect of deferred income tax of previous period	(122)	-
Effect of rate change on opening balances	(7)	259
Tax charge	<u>1,423</u>	<u>2,206</u>

The tax charge for the year is higher than (2021: higher than) the standard rate of corporation tax in the United Kingdom at 19% (2021: 19%). The differences are explained as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
	£'000	£'000
Profit before tax	<u>1,772</u>	<u>3,714</u>
Profit multiplied by standard rate of corporation tax in the United Kingdom of 19% (2021: 19%)	337	706
Fixed asset differences	(14)	3
Expenses not deductible for tax purposes	15	11
Impairment of investment not deductible for tax purposes	1,162	1,200
RDEC expenditure credits	14	16
Group relief claimed	(1,684)	(1,822)
Payment for group relief	1,684	1,822
Adjustments to tax charge in respect of previous periods: Current tax	79	(28)
Adjustments to tax charge in respect of previous periods: Deferred tax	(122)	-
Deferred tax transferred in on hive-up	(5)	(2)
Change in tax rates	(55)	297
Tax on share based payments	12	3
Tax charge for the year	<u>1,423</u>	<u>2,206</u>

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

12 Tax on profit (continued)

A change to the main UK corporation tax rate, announced in the Budget on 3 March 2021 to increase the main UK corporation tax rate from 19% to 25% with effect from 1 April 2023 was substantively enacted on 24 May 2021. In the prior year, an additional deferred tax charge of £259k was recognised as a result of the remeasurement of UK deferred tax to 25%.

The change in tax rates within the reconciliation above of £55k (2021: £297k) includes both the remeasurement of the opening deferred tax balance, and also the current year rate differential during the current year.

13 Property, Plant and Equipment

	Fixtures and Fittings £'000	Office Equipment £'000	Computer Equipment £'000	Leasehold Improvements £'000	Total £'000
Cost					
At 1 January 2022	53	143	1,894	442	2,532
Additions	-	-	444	3	447
Disposals	-	(20)	(343)	(261)	(624)
At 31 December 2022	53	123	1,995	184	2,355
Depreciation					
At 1 January 2022	(45)	(103)	(1,301)	(307)	(1,756)
Provided in the year	-	(23)	(341)	(89)	(453)
Disposals	-	20	303	261	584
At 31 December 2022	(45)	(106)	(1,339)	(135)	(1,625)
Carrying value					
At 31 December 2021	8	40	593	135	776
At 31 December 2022	8	17	656	49	730

As at 31 December 2022, the Company had £nil of capital commitments (2021: £161k).

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

14 Intangible fixed assets

	Software and Licenses £'000	Customer relationships £'000	Trade names £'000	Acquired Technology £'000	Development costs – internally generated £'000	Goodwill £'000	Total £'000
Cost							
At 1 January 2022	445	6,854	322	-	8,839	4,812	21,272
Additions from hive-up (note 17)	-	1,457	446	869	13	3,840	6,625
Additions (external)	96	-	-	-	3,473	-	3,569
Additions (internal)	-	-	-	-	3,044	-	3,044
Disposals	-	-	-	-	(1,430)	-	(1,430)
At 31 December 2022	541	8,311	768	869	13,939	8,652	33,080
Accumulated amortisation							
At 1 January 2022	(151)	(468)	(17)	-	(5,133)	-	(5,769)
Charge for the year	(98)	(848)	(43)	(32)	(4,075)	-	(5,096)
Disposals	-	-	-	-	1,430	-	1,430
At 31 December 2022	(249)	(1,316)	(60)	(32)	(7,778)	-	(9,435)
Carrying value							
At 31 December 2021	294	6,386	305	-	3,706	4,812	15,503
At 31 December 2022	292	6,995	708	837	6,161	8,652	23,645

15 Leases

Set out below are the carrying amounts of right-of-use assets recognised on the face of the Balance Sheet and the movements during the current and prior year:

	Land and buildings £'000	Data centre and Hosting £'000	Total £'000
2022			
At 1 January 2022	151	88	239
Additions	1,169	206	1,375
Depreciation expense	(293)	(191)	(484)
At 31 December 2022	1,027	103	1,130
2021			
At 1 January 2021	346	226	572
Additions	-	7	7
Depreciation expense	(195)	(145)	(340)
At 31 December 2021	151	88	239

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

15 Leases (continued)

Set out below are the carrying amounts of lease liabilities recognised on the face of the Balance Sheet and the movements during the year:

2022	Land and buildings	Data centre and Hosting	Total
	£'000	£'000	£'000
At 1 January 2022	197	97	294
Additions	1,073	206	1,279
Accretion of interest	27	9	36
Payments	(264)	(208)	(472)
At 31 December 2022	1,033	104	1,137
Current	161	104	265
Non-current	872	-	872
	1,033	104	1,137

2021	Land and buildings	Data centre and Hosting	Total
	£'000	£'000	£'000
At 1 January 2021	439	240	679
Additions	-	5	5
Accretion of interest	22	12	34
Payments	(264)	(160)	(424)
At 31 December 2021	197	97	294
Current	197	94	291
Non-current	-	3	3
	197	97	294

The following are the amounts recognised in the Profit and Loss Account:

	Year ended 31 December 2022	Year ended 31 December 2021
	£'000	£'000
Depreciation expense of right-of-use assets	484	340
Interest expense on lease liabilities	36	34
Total amount recognised in Profit and Loss Account	520	374

The maturity of the lease liabilities at 31 December were as follows:

2022	On demand	Less than 1 year	1 to 5 years	> 5 years	Total
	£'000	£'000	£'000	£'000	£'000
Lease liabilities	-	265	872	-	1,137
	-	265	872	-	1,137
2021	On demand	Less than 1 year	1 to 5 years	> 5 years	Total
	£'000	£'000	£'000	£'000	£'000
Lease liabilities	-	291	3	-	294
	-	291	3	-	294

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

16 Investments

At 31 December 2022 the investments in which the Company holds any class of share capital were:

	Type of shares	Proportion held	Nature of business	Country of incorporation
Directly owned subsidiaries				
Commify Iberia S.L	Ordinary	100%	Provision of business communication services	Spain
Esendex Australia PTY Limited	Ordinary	100%	Provision of business communication services	Australia
Collstream Limited	Ordinary	100%	Dormant company	England
Mobile Messaging Group Ltd *	Ordinary	100%	Dormant company	England
Indirectly owned subsidiaries				
Bulk SMS Ltd *	Ordinary	100%	Dormant company	England

* On 4 May 2022, the Company acquired 100% of the share capital of Mobile Messaging Group Ltd. Mobile Messaging Group Ltd owned 100% of Bulk SMS Ltd. Both companies are domiciled in the UK. For more information about the net assets acquired please see note 17.

The movement in the carrying amount of the investments during the year is summarised as follows:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
At 1 January	4,976	11,292
Additions	6,649	-
Realisation of value through dividend	(4,792)	-
Impairment of investments on hive-up	(6,114)	(6,316)
Carrying value at 31 December	719	4,976

During the current year, as a result of the transfer of customer base and assets from Bulk SMS Ltd detailed in note 17, the Company impaired its investment in Mobile Messaging Group Ltd by £6,114k down to the remaining carrying value of net assets in the subsidiary after the transfer. The impairment was not due to a deterioration in the value of the customer base or assets. It was recognised as the assets were transferred to Commify UK Limited at their book value, with no cash payment being made, thus reducing the value of the investment in the subsidiary.

During the prior year, as a result of the transfer of customer base and assets from TA and MB Limited detailed in note 17, the Company impaired its investment in TA and MB Limited by £6,316k down to the remaining carrying value of net assets in the subsidiary after the transfer. The impairment was not due to a deterioration in the value of the customer base or assets. It was recognised as the assets were transferred to Commify UK Limited at their book value, with no cash payment being made, thus reducing the value of the investment in the subsidiary. Subsequent to this hive-up, and in the current year, the remaining assets of TA and MB Limited were paid to the Company via a dividend – reducing the investment value to nil.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

17 Acquisitions

Year ended 31 December 2022

On 31 October 2022, the Company acquired the customer base and certain related assets of Bulk SMS Ltd. The acquisition was made as part of the rationalisation of the Group's structure.

A summary of the consideration and fair value of the identifiable net assets / (liabilities) acquired in the above transaction is shown below:

	£'000
Net assets transferred from Bulk SMS Ltd:	
Development costs	13
Trade and other debtors	1,073
Cash and cash equivalents	278
Trade and other payables	(1,209)
Corporation tax liability	(65)
Deferred tax asset	5
Total	<u>95</u>
Assets and liabilities recognised upon transfer of trade:	
Customer lists	1,457
Trade names	446
Acquired technology	869
Goodwill	3,840
Deferred tax	(694)
Total	<u>5,918</u>
Total net assets acquired	<u>6,013</u>
Total cost of acquisition	<u>(95)</u>
Merger reserve recognised on acquisition	<u>5,918</u>

During 2022, this acquisition contributed £1,177k of revenue and £118k of profit before tax to the Group results. If the entity had been owned for the full year, it would have contributed £6,094k of revenue and £610k of profit before tax.

As a result of the hive of trade and assets to the Company, the remaining net assets of Mobile Messaging Group Ltd and Bulk SMS Ltd were insufficient to support the investment held by the Company in Mobile Messaging Group Ltd. The Company was therefore required to impair the investment by £6,114k (see note 16).

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

17 Acquisitions (continued)

Year ended 31 December 2021

On 30 June 2021, the Company acquired the customer base and certain related assets of TA and MB Limited. The acquisition was made as part of the rationalisation of the Group's structure.

A summary of the consideration and fair value of the identifiable net assets / (liabilities) acquired in the above transaction is shown below:

	£'000
Net assets transferred from TA and MB Limited:	
Development costs	59
Trade and other receivables	6,612
Trade and other payables	(1,993)
Deferred revenue	(1,042)
Total	<u>3,636</u>
Assets and liabilities recognised upon transfer of trade:	
Customer lists	5,669
Trade names	322
Goodwill	3,739
Deferred tax	(1,498)
Total	<u>8,232</u>
Total net assets acquired	<u>11,898</u>
Total cost of acquisition	<u>(3,636)</u>
Merger reserve recognised on acquisition	<u>8,232</u>

Following the transfer of trade and assets Limited to the Company it was no longer possible to separately identify the results of TA and MB Limited.

As a result of the hive of trade and assets to the Company, the remaining net assets of TA and MB Limited were insufficient to support the investment held by the Company. The Company was therefore required to impair the investment by £6,316k (see note 16).

18 Disposals

On 31 July 2021, the Company sold its French and German customer bases to other entities in the Group. The disposals were made as part of the rationalisation of the Group's structure.

A summary of the consideration and fair value of the identifiable net assets / (liabilities) disposed of in the above transactions is shown below. In respect of these disposals the fair value of net assets disposed was deemed to be the carrying value. Identifiable net assets included internally generated customer relationship intangible assets which are not reported in the Company balance sheet.

	France 31 July 2021 £'000	Germany 31 July 2021 £'000	Total 31 July 2021 £'000
Trade and other receivables	815	493	1,308
Trade and other payables	(66)	(53)	(119)
Deferred revenue	(297)	(159)	(455)
Net assets disposed of	<u>452</u>	<u>282</u>	<u>734</u>
Total consideration	<u>857</u>	<u>419</u>	<u>1,276</u>
Gain on disposal	<u>405</u>	<u>137</u>	<u>543</u>

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

19 Trade and other debtors

	2022	2021
	£'000	£'000
Non-current:		
Balance due from direct parent company	32,737	-
Balance due from fellow subsidiaries of a direct parent company	1,327	-
Balance due from indirect parent company	107	-
Other debtors and prepayments	53	78
Total trade and other debtors	34,224	78
Current:	£'000	£'000
Balances from contracts with customers	6,089	5,574
Balance due from direct parent company	-	31,357
Balance due from fellow subsidiaries of a direct parent company	618	1,657
Balance due from other group companies	1,278	597
Balance due from direct subsidiary companies	1,421	1,489
Balance due from indirect parent company	-	95
Other debtors and prepayments	1,178	847
Total trade and other debtors	10,584	41,616

Intercompany debtor balances have been classified as non-current unless there is an expectation that they will be settled within 12 months of the year-end date.

Amounts owed by group companies are unsecured and repayable on demand. Intercompany balances attract interest in line with intercompany agreements, with interest being charged at 6.25%.

Balances from contracts with customers are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade debtors are recognised initially at the amount of consideration that is unconditional. The Company holds the trade debtors with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Company's impairment policies and the calculation of the expected credit loss allowance are provided below. Due to the short-term nature of the current debtors, their carrying amount is considered to be the same as their fair value.

Impairment of trade and other debtors

Trade debtors from activities related to sales of messaging services and the provision of consulting services are subject to the IFRS 9 expected credit loss (ECL) model. The Company applies a simplified approach in calculating ECLs and does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company calculates ECLs based on its historical credit loss experience of similar financial assets.

Calculated ECLs consist of:

- Specifically identified balances with a high risk of default resulting from a review of receivables, with a focus on large balances and balances over 90 days overdue, and;
- Application of an expected credit loss rate to receivables not covered by the review detailed above.

The expected credit loss rate is determined from historical experience, considering the customer mix and primary economic environment.

Set out below is the information about the credit risk exposure on the Company's balances from contracts with customers:

	2022	2021
	£'000	£'000
Gross Trade debtors	6,382	5,844
Expected credit losses	293	270
Expected credit loss rate	4.6%	4.6%

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

19 Trade and other debtors (continued)

The movement in the allowance for expected credit losses of trade receivables is shown below:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Balance at the beginning of the year	270	188
Provision for expected credit loss	124	155
Provision acquired	20	12
Provision used	(121)	-
Provision released	-	(85)
Balance at the end of the year	<u>293</u>	<u>270</u>

20 Cash and short term deposits

	2022 £'000	2021 £'000
Cash at bank and on hand	3,434	2,584
	<u>3,434</u>	<u>2,584</u>

Cash and short term deposits only consist of cash at bank and in hand.

21 Trade and other payables

	2022 £'000	2021 £'000
Amounts falling due within one year		
Trade creditors	6,657	4,944
Other taxation and social security	1,583	1,316
Balances owed to Indirect parent company	4	-
Balances owed to fellow subsidiaries of a direct parent company	969	233
Balances owed to other group companies	-	210
Balances owed to direct subsidiary companies	1,541	4,792
Balances owed to Indirect subsidiary company	94	-
Accruals and other creditors	6,206	4,183
Deferred income	3,751	3,608
	<u>20,805</u>	<u>19,286</u>

Trade creditors are unsecured and throughout the period were, on average, paid within 36 days (2021: 32 days) of recognition. Deferred income relates to contractual obligations to deliver messaging services to customers.

Amounts owed to group companies are unsecured and repayable on demand. Intercompany balances attract interest in line with intercompany agreements, with interest being charged at 6.25%.

The carrying amounts of trade and other creditors are the same as their fair values, due to their short-term nature.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

22 Deferred tax

Deferred taxation provided for at 25% (2021: 25%) in the Financial Statements is set out below:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Deferred tax assets:		
Provisions	75	39
Share based payments	25	18
Other deductible temporary differences	-	87
	100	144
	Year ended 31 December 2022 £'000	Year ended 31 December 20210 £'000
Deferred tax liabilities:		
Fixed asset temporary differences	(1,261)	(1,356)
Other taxable temporary differences (see note 17)	(1,904)	(1,498)
	(3,165)	(2,854)

The analysis of the deferred tax balances, after considering the offset of assets and liabilities within entities where there is a legal right to do so, is detailed below, and corresponds to the Balance Sheet.

	2022 £'000	2021 £'000
Deferred tax liabilities	(3,065)	(2,710)
	(3,065)	(2,710)

Movements in the provision for deferred tax during the year were:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
At the start of the year	2,710	797
Deferred tax charged to the Profit and Loss Account	(340)	411
Deferred tax charged directly to equity	6	4
Deferred tax transferred from other group companies	(5)	-
Deferred tax recognised on acquisition (see note 17)	694	1,498
At 31 December	3,065	2,710

The deferred tax liability above has arisen on tangible and intangible assets and is expected to reverse over the remaining useful life of these assets.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

23 Share Capital

	2022 £'000	2021 £'000
Allotted, called up and fully paid:		
10,000 Ordinary shares of £0.01 each	-	-
	<u>-</u>	<u>-</u>

All shares in by the Company carry equal rights. There have been no share movements in the year ended December 2022 (2021: none). The authorised share capital of the Company is 10 million ordinary shares of £0.01 each (2021: 10 million ordinary shares of £0.01 each).

24 Transactions with related parties

The Company has taken advantage of the exemption in IAS 24 'Related party disclosures' not to disclose transactions with wholly owned group entities whose voting rights are held within the Group, and which are included in the Consolidated Financial Statements of Commify Topco Limited. Copies of the Consolidated Financial Statements can be obtained from the Registered Office of the Company.

25 Contingent assets and liabilities

The Company is part of a cross guarantee agreement along with other members of the Group. All parties in the agreement are jointly and severally liable for the external debt held with a syndicate of financial institutions. At the year end the financial liability was nil (2021: nil).

26 Events after the reporting period

As at the date of signing these accounts there have been no events since the balance sheet date that require disclosure in these accounts.

27 Ultimate Parent Undertaking and Controlling party

The immediate parent company at the balance sheet date was Commify Limited, a company registered in England and Wales.

The largest group for which Consolidated Accounts are prepared is that headed by Commify Topco Limited, a company registered in England and Wales.

A number of limited partnerships which are managed by HgCapital LLP (holding through nominee companies) held a significant interest in the ordinary shares of Commify Topco Limited at 31 December 2021. The Directors deem there not to be an ultimate controlling party as none of the limited partners in the limited partnerships managed by HgCapital LLP has an ownership of more than 20% of the issued share capital of Commify Topco Limited and there are no further controlling parties.