

Companies House

Financial Statements Esendex Limited

For the year ended 30 June 2017

Registered number: 04217280

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Esendex Limited

Company Information

Directors	S Baker (resigned 30 November 2017) P C Gardner A Lea (resigned 12 June 2017) G A Love
Registered number	04217280
Registered office	20 Wollaton Street Nottingham Nottinghamshire NG1 5FW
Trading address	20 Wollaton Street Nottingham Nottinghamshire NG1 5FW
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor The Colmore Building 20 Colmore Circus Birmingham West Midlands B4 6AT

Esendex Limited

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Esendex Limited

Strategic Report (continued)

For the year ended 30 June 2017

Introduction

The Directors present their strategic report and the financial statements for the year ended 30 June 2017.

Principal activity

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

Business review

The turnover of the company in the year ended 30 June 2017 increased to £25,768K from £23,199K in the year ended 30 June 2016 with strong growth realised across all territories. Operating profit excluding exceptional items increased by 27% to £4,218K (2016: £3,301K).

Principal risks and uncertainties

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

Economic risks

The Company is subject to movements in the economies in which it trades but the high proportion of transactional and mission critical messaging coupled with the spread of business across several key economies throughout Europe limits this risk significantly.

Business risk

The directors believe that the greatest on-going risk to the business is the potentially disruptive effect of new messaging technologies. Whilst the directors see no immediate threat they are taking a number of steps to address this risk including an on-going R&D program to evaluate the commercial opportunities within these technologies and measures to clearly differentiate the services of Esendex Limited from others within the market so that they are increasingly seen as the provider of choice. This means that whilst this has been noted an area of threat it also opens up future opportunities for the business.

Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs.

Foreign currency risk

A proportion of the Group's revenue is earned in currencies other than sterling. The majority of this is in Euros and to manage this risk an appropriate proportion of the Esendex Bidco Limited bank debt was denominated in Euros.

Credit risk

The Company has policies that require appropriate credit checks on all potential customers before sales are made. Credit limits are set for customers based on a combination of payment history and third party references. The majority of significant customers pay by direct debit and credit limits are reviewed on a regular basis.

Competition

The Company is the leading provider of mission critical SMS to businesses in the UK. Whilst competition is increasing, it is typically in the value seeking market, in which Text Marketer, a member of the Group, operates. Esendex differentiates itself by providing an unrivalled quality of service, thanks to its direct connections with Mobile Network Operators and round the clock monitoring and support, which is a unique offering in the marketplace.

Esendex Limited

Strategic Report (continued)

For the year ended 30 June 2017

Financial key performance indicators

Amongst many others the business monitors the following financial KPIs on a regular basis:

- Message volumes received, sent and delivered
- Average selling price per message by territory
- Average cost price per message by territory
- Average margin per message by territory
- New and active customers
- EBITDA percentage

Other key performance indicators

The business has real time monitoring of its operational performance to ensure it provides an industry leading service to its customers. This ensures that service level agreements are adhered to and reported to customers on a timely basis. It also closely tracks customer and employee satisfaction and is committed to continue to deliver outstanding levels of both.

Supplier payment policy

The company seeks to maintain mutually beneficial relationships with its suppliers, including payment terms which are agreed in advance.

Employee involvement

The company has a loyal workforce and does not experience significant staff turnover or labour relation problems. Performance and attendance is monitored and recorded forming an important part of employee assessment.

Disabled persons

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the company may continue.

Future developments

Esendex Limited will continue to operate in the mobile messaging market, investing in research and development to maintain and increase its standing in the market.

This report was approved by the board of directors on 18th December 2017.

Signed on behalf of the board of directors:



G A Love
Director

Esendex Limited

Directors Report

For the year ended 30 June 2017

The directors present their report and the audited financial statements for the year ended 30 June 2017.

Directors

The directors who served during the year were:

G A Love
S Baker (resigned 30 November 2017)
P C Gardner
A Lea (resigned 12 June 2017)

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 year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

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

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

Auditor

The auditor, Grant Thornton UK LLP, have expressed willingness to be re-appointed.

This report was approved by the board of directors on 18th December 2017.

Signed on behalf of the board of directors:



G A Love
Director

Independent Auditor's Report to the Members of Esendex Limited

For the year ended 30 June 2017

We have audited the financial statements of Esendex Limited (the 'company') for the year ended 30 June 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its profit for the for 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.

Who we are reporting to

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

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the strategic report and directors report set out on pages 1 to 3, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

For the year ended 30 June 2017

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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



David White
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
Date: 18/12/17

Esendex Limited

Statement of Comprehensive Income

For the year ended 30 June 2017

	Note	2017 £	2016 £
Turnover	5	25,768,313	23,199,373
Cost of sales		(13,469,519)	(12,197,485)
Gross profit		12,298,794	11,001,888
Administrative expenses		(7,973,806)	(7,614,454)
Amortisation of intangibles		(106,823)	(85,799)
Other operating income		374,170	–
Exceptional items	8	(19,323)	216,700
Total administrative expenses		(7,725,782)	(7,483,553)
Operating profit		4,573,012	3,518,335
Profit on ordinary activities before interest		4,573,012	3,518,335
Dividends received from subsidiaries		185,222	–
Interest receivable	9	1,041,951	330,968
Interest payable	10	(8,367)	(28,374)
Profit on ordinary activities before taxation	6	5,791,818	3,820,929
Taxation	11	(1,004,396)	(271,553)
Profit for the financial year		4,787,422	3,549,376
Total comprehensive income for the financial year		4,787,422	3,549,376

The notes on pages 9-21 form part of these financial statements.

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations

Esendex Limited

Statement of Financial Position

For the year ended 30 June 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	12	502,838	263,168
Tangible assets	13	782,076	776,269
Investments	14	183,951	183,951
		<u>1,468,865</u>	<u>1,223,388</u>
Current assets			
Debtors	15	24,155,553	9,825,797
Cash at bank and in hand		4,384,830	4,277,055
		<u>28,540,383</u>	<u>14,102,852</u>
Creditors: amounts falling due within one year	16	<u>(17,973,142)</u>	<u>(8,101,429)</u>
Net current assets		<u>10,567,241</u>	<u>6,001,423</u>
Total assets less current liabilities		<u>12,036,106</u>	<u>7,224,811</u>
Deferred tax liability	17	(127,077)	(103,204)
Net assets		<u>11,909,029</u>	<u>7,121,607</u>
Capital and reserves			
Called up share capital	18	100	100
Profit and loss account	19	11,908,929	7,121,507
		<u>11,909,029</u>	<u>7,121,607</u>

The notes on pages 9-21 form part of these financial statements.

The financial statements were approved by the board of directors on 18th December 2017.

Signed on behalf of the board of directors:



G A Love
Director

Company registration no: 04217280

Esendex Limited

Statement of Changes In Equity

For the year ended 30 June 2017

	Called-up share capital £	Profit and loss account £	Total £
At 30 June 2015	100	3,572,131	3,572,231
Comprehensive income			
Profit and total comprehensive income for the year	--	3,549,376	3,549,376
At 30 June 2016	100	7,121,507	7,121,607
Comprehensive income			
Profit and total comprehensive income for the year	--	4,787,422	4,787,422
At 30 June 2017	100	11,908,929	11,909,029

Esendex Limited

Notes to the Financial Statements

For the year ended 30 June 2017

1 Company information

Esendex Limited is a private company limited by shares incorporated in England and Wales. The registered office is 20 Wollaton Street, Nottingham, NG1 5FW.

Esendex is a technology company providing business to business transactional mobile messaging in the UK and throughout Europe.

2 Basis of preparation

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

The company has taken advantage of certain exemptions (see below) from the requirements of FRS 102 as permitted by FRS 102.

- the requirement to present a statement of cash flows and related notes
- financial instrument disclosures, including:
 - categories of financial instruments,
 - items of income, expenses, gains or losses relating to financial instruments, and
 - exposure to and management of financial risks.
- the requirement to disclose transactions with wholly owned group entities whose voting rights are held within the group.

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Going concern

As at 30 June 2017 the company has assets which exceed its liabilities and has been profitable for the year. After taking this into consideration and reviewing the company's forecasts, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

3 Principal accounting policies

3.1 Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the financial statements. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

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

Notes to the Financial Statements

For the year ended 30 June 2017

3 Principal accounting policies (continued)

3.2 Intangible assets

Development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The intention to complete the intangible asset and use or sell it.
- The ability to use the intangible asset or to sell it.
- How the intangible asset will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation of development costs is charged so as to allocate the cost less their residual values over their estimated useful lives, using the straight-line method. The amortisation period for all such assets is three years.

Amortisation commences when the intangible asset is available for use.

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

3.3 Tangible assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets on a straight line basis over their expected useful lives. The expected lives applicable are:

- | | |
|-------------------------|-------------|
| - Fixtures and fittings | 3 – 5 years |
| - Office equipment | 3 – 5 years |
| - Computer equipment | 5 years |

3.4 Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

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

3.5 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Other financial assets classified as fair value through profit or loss are measured at fair value.

Notes to the Financial Statements

For the year ended 30 June 2017

3 Principal accounting policies (continued)

3.5 Financial instruments (continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity

Financial liabilities

Basic financial liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Other financial liabilities classified as fair value through profit or loss are measured at fair value.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

3.6 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

3.7 Leases

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

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

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

Notes to the Financial Statements

For the year ended 30 June 2017

3 Principal accounting policies (continued)

3.8 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.

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.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

The company recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 6 months. The provision is measured at the salary cost plus employers national insurance payable for the period of absence.

3.9 Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes to the Financial Statements

For the year ended 30 June 2017

3 Principal accounting policies (continued)

3.10 Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from the rendering of services.

Turnover relates to the provision of business communication activities by the company which is billed on a periodic basis in line with contract terms. However, it is only recognised in the Income Statement once the service is provided.

3.11 Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

3.12 Exceptional items

The company presents as exceptional items on the face of the Statement of Comprehensive Income those material items of income and expenses which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow users of the accounts to better understand the elements of financial performance in the year, so as to facilitate comparison with prior years.

3.13 Foreign currency translation

Functional currency and presentation currency

The financial statements of the company are presented in the currency of the primary economic environment in which Esendex Limited operates (its functional currency).

Transactions and balances

In preparing the financial statements of the company, transactions in currencies other than the functional currency (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

4 Significant judgements and estimates

Preparation of the financial statements require management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made relate to the capitalisation of development costs as intangible assets. Development costs are capitalised in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed. In determining the amount to be capitalised, management makes assumptions regarding the expected future cash generation of the project. At 30 June 2017, the carrying amount of capitalised development costs is £502k (2016: £263k).

5 Turnover

For the years ended 30 June 2017 and 30 June 2016 all of the turnover for Esendex Limited was for the rendering of business to business communication services and was generated in the United Kingdom.

Notes to the Financial Statements

For the year ended 30 June 2017

6 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after:

	2017	2016
	£	£
Auditor's remuneration:		
Fees payable to the company's auditor and its associates for:		
- Audit of the company's annual accounts	32,900	26,638
Fees payable to other advisors and their associates for:		
- Tax compliance services	13,800	11,416
Depreciation of tangible fixed assets		
- owned by the company	323,345	249,329
Foreign exchange losses / (gains)	151,091	(228,429)
Operating lease rentals	126,106	142,288
Amortisation - Development costs	<u>106,823</u>	<u>85,799</u>

7 Directors and employees

Staff costs during the year were as follows:

	2017	2016
	£	£
Wages and salaries	4,154,378	4,199,978
Social security costs	696,932	570,443
Other pension costs	<u>158,564</u>	<u>153,894</u>
	<u><u>5,009,874</u></u>	<u><u>4,924,315</u></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 pensions provider. Pension payments recognised as an expense during the year amount to £158,564 (2016: £153,894). Contributions totalling £49,126 (2016: £43,652) were payable to the fund at the year end and are included in other creditors.

The average number of employees of the company during the year was:

	2017	2016
	No.	No.
Sales	27	28
Technical	54	54
Administration	<u>44</u>	<u>38</u>
	<u><u>125</u></u>	<u><u>120</u></u>

Esendex Limited

Notes to the Financial Statements

For the year ended 30 June 2017

7 Directors and employees (continued)

Remuneration in respect of directors was as follows:	2017	2016
	£	£
Emoluments	952,036	854,307
Pension contributions to money purchase pension schemes	23,399	20,330
	<u>975,435</u>	<u>874,637</u>

During the year 5 directors (2016: 6) participated in money purchase pension schemes.

The amounts set out above include remuneration in respect of the highest paid director as follows:	2017	2016
	£	£
Emoluments	196,422	188,907
Pension contributions to money purchase pension schemes	--	--
	<u>196,422</u>	<u>201,028</u>

8 Exceptional items

	2017	2016
	£	£
Costs relating to obtaining additional funding for the group	48,467	--
Costs relating to subsidiary acquired during the year	2,856	--
Release of Government grant provision	(32,000)	(216,700)
	<u>19,323</u>	<u>(216,700)</u>

9 Interest receivable

	2017	2016
	£	£
Interest receivable from group companies	1,041,855	330,926
Other interest receivable	96	42
	<u>1,041,951</u>	<u>330,968</u>

10 Interest payable

	2017	2016
	£	£
On loans from group companies	8,367	28,374
	<u>8,367</u>	<u>28,374</u>

Notes to the Financial Statements

For the year ended 30 June 2017

11 Tax on profit on ordinary activities

The tax charge is based on the profit for the year and represents:	2017	2016
	£	£
UK Corporation Tax	464,765	231,825
Adjustments in respect of previous periods	515,758	(21,654)
Deferred taxation: origination and reversal of timing differences	29,607	66,473
Deferred taxation: changes in tax rates	(5,734)	(5,091)
Tax on results on ordinary activities	<u>1,004,396</u>	<u>271,553</u>

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 19.75% (2016: 20%). The differences are explained as follows:

Profit on ordinary activities before tax	<u>5,606,596</u>	<u>3,820,929</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19.75% (2016: 20%)	1,107,303	764,186
Fixed asset differences	1,429	2,311
Expenses not deductible for tax purposes	11,245	10,464
Income not taxable for tax purposes	(73,899)	(160,000)
R&D expenditure credits	7,531	--
Group relief claimed	(554,481)	(344,308)
Adjustments to tax charge in respect of previous periods	515,758	10,367
Other differences	36	--
Deferred tax on transfers	--	--
Changes in tax rates	(10,526)	(11,467)
Tax on results on ordinary activities	<u>1,004,396</u>	<u>271,553</u>

Adjustments to tax charge of £515,758 arise as a result of changes to the 2015 and 2016 changes to R&D tax relief claims.

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is £nil (2016: £nil).

During the year the UK corporation tax rate was decreased. The reduction to 17% (1 April 2020) was substantively enacted by Finance Bill 2016 on 15 September 2016.

Esendex Limited

Notes to the Financial Statements

For the year ended 30 June 2017

12 Intangible fixed assets

	Develop- ment £
Cost	
At 1 July 2016	353,629
Additions	346,492
At 30 June 2017	<u>700,121</u>
Depreciation and impairment	
At 1 July 2016	90,461
Charge for the year	106,822
At 30 June 2017	<u>197,283</u>
Net book amount at 30 June 2017	<u>502,838</u>
Net book amount at 30 June 2016	<u>263,168</u>

13 Tangible fixed assets

	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost				
At 1 July 2016	230,096	1,581,007	16,715	1,827,818
Additions	2,220	326,932	--	329,152
At 30 June 2017	<u>232,316</u>	<u>1,907,939</u>	<u>16,715</u>	<u>2,156,970</u>
Depreciation				
At 1 July 2016	110,729	924,105	16,715	1,051,549
Provided in the year	38,681	284,664	--	323,345
At 30 June 2017	<u>149,410</u>	<u>1,208,769</u>	<u>16,715</u>	<u>1,374,894</u>
Net book amount at 30 June 2017	<u>82,906</u>	<u>699,170</u>	<u>--</u>	<u>782,076</u>
Net book amount at 30 June 2016	<u>119,367</u>	<u>656,902</u>	<u>--</u>	<u>776,269</u>

Esendex Limited

Notes to the Financial Statements

For the year ended 30 June 2017

14 Investments

	Investment in subsidiaries £
Cost and net book amount at 30 June 2017	<u>183,951</u>
Cost and net book amount at 30 June 2016	<u>183,951</u>

Investments in subsidiaries

At 30 June 2017 the company had interests in the following subsidiaries:

Directly owned subsidiaries	Type of shares held	Proportion held	Country of incorporation	Nature of business
Esendex Espana SL	Ordinary	100%	Spain	Provision of business communication services
Esendex Australia PTY Limited	Ordinary	100%	Australia	Provision of business communication services
Esendex Inc	Ordinary	100%	USA	Provision of business communication services
Indirectly owned subsidiaries	Type of shares held	Proportion held	Country of incorporation	Nature of business
SMSpubli Mobile Marketing SLU	Ordinary	100%	Spain	Provision of business communication services

15 Debtors

	2017 £	2016 £
Trade debtors	2,936,739	2,581,791
Amounts owed by group companies	20,642,434	6,896,897
Other debtors	201,980	34,181
Prepayments and accrued income	<u>374,400</u>	<u>312,928</u>
	<u>24,155,553</u>	<u>9,825,797</u>

Trade debtors are stated after provisions for impairment of £93,428 (2016: £111,407).

Included within amounts owed by group companies is a balance of £106k relating to payments made on behalf of Falcon Bidco Limited, a company incorporated during the year for the acquisition of the Esendex Topco Limited and its subsidiaries.

Amounts owed by group companies are unsecured, repayable on demand and attract interest at rates of between 5% and 12% per annum.

Esendex Limited

Notes to the Financial Statements

For the year ended 30 June 2017

16 Creditors: amounts falling due within one year

	2017	2016
	£	£
Trade creditors	2,802,477	2,939,240
Amounts owed to group companies	10,105,574	352,687
Taxation and social security	896,617	920,285
Corporation tax	367,309	347,846
Other creditors	123,729	192,415
Accruals and deferred income	3,677,437	3,348,956
	<u>17,973,142</u>	<u>8,101,429</u>

Amounts owed to group companies are unsecured, repayable on demand and attract interest at rates of between 5% and 12% per annum.

17 Deferred taxation

Deferred taxation provided for at 17% (2016: 18%) in the financial statements is set out below:

	2017	2016
	£	£
Accelerated capital allowances	127,077	103,204
	<u>127,077</u>	<u>103,204</u>

The amount of the net reversal of deferred tax expected to occur next year is £84,485 (2016: £49,277), relating to the reversal of existing timing differences on tangible fixed assets and the origination of new timing differences on intangible fixed assets.

18 Called up share capital

	2017	2016
	£	£
Authorised, allotted and fully paid:		
10,000 ordinary shares of £0.01 each	100	100
	<u>100</u>	<u>100</u>

19 Reserves

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

Profit and loss account – includes all current and prior period retained profits and losses.

20 Capital commitments

As at 30 June 2017, capital commitments of £8,412 existed for the purchase of computer equipment. There were no capital commitments as at 30 June 2016.

Notes to the Financial Statements

For the year ended 30 June 2017

21 Contingent liabilities

There were no contingent liabilities as at 30 June 2017 or 30 June 2016.

22 Operating lease commitments

The company's future minimum operating lease payments are as follows:

	2017	2016
	£	£
Within one year	159,160	149,612
Between one and five years	<u>91,936</u>	<u>251,097</u>
	<u>251,096</u>	<u>400,709</u>

23 Transactions with related parties

The company has taken advantage of the exemption in FRS102 Section 33 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 Esendex Topco Limited. Copies of the consolidated financial statements can be obtained from the registered office.

24 Financial risk management

The company has exposures to three main areas of risk - foreign exchange currency exposure, liquidity risk and customer credit exposure.

Foreign exchange transactional currency exposure

The company is exposed to currency exchange rate risk due to a proportion of its revenue, cost of sales, and operating expenses being transacted in non-Sterling currencies. The majority of the non-Sterling transactions are denominated in Euros. To manage this risk as a group an appropriate portion of the bank debt in Esendex Bidco Limited was denominated in Euros.

Liquidity risk

The objective of the company in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The company expects to meet its financial obligations through operating cash flows. Based on current year profit and cash generation the company continues to have no concerns over the ability to pay future liabilities.

Customer credit exposure

The company offers credit terms to its customers which allow payment of the debt after delivery of services. The company is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by appropriate credit checks being carried out on all potential customers before the sale is made. Credit limits are set for customers based on a combination of payment history and third party references. The majority of significant customers pay by direct debit and credit limits are reviewed on a regular basis.

Notes to the Financial Statements

For the year ended 30 June 2017

25 Financial assets and liabilities

	2017	2016
	£	£
Financial assets measured at amortised cost	<u>27,964,002</u>	<u>13,755,743</u>
Financial liabilities measured at amortised cost	<u>14,875,339</u>	<u>5,038,734</u>

Financial assets measured at amortised cost comprise cash, trade debtors, and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, accruals, and amounts owed to group undertakings.

The directors consider the undiscounted balance of amounts owed to / from group undertakings to not be materially different to their fair value.

26 Post balance sheet events

There are no subsequent events which are required to be recorded or disclosed in the financial statements.

27 Ultimate parent undertaking and controlling party

The immediate parent company is Esendex Holdings Limited, a company registered in England and Wales.

The largest group for which consolidated accounts are prepared is that headed by Esendex Group Topco Limited, a company registered in England and Wales.

There is no ultimate controlling party.