Financial Statements
Esendex Limited

For the year ended 30 June 2016

Registered number: 04217280

Esendex Limited

Company Information

Directors	S Baker P C Gardner A Lea 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 Colmore Building 20 Colmore Circus Birmingham West Midlands B4 6AT

Esendex Limited

Contents

Group Strategic Report

For the year ended 30 June 2016

Introduction

The Directors present their strategic report and the financial statements for the year ended 30 June 2016.

Business review

The turnover of the company in the year ended 30 June 2016 increased to £23,199K from £12,576 in 2015 with strong growth realised across all territories. Operating profit increased by 94% to £3,301K (2015: £1,706K).

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 Group's bank debt has been 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.

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.

This report was approved by the board of directors on 7th October 2016.

Signed on behalf of the board of directors:

S Baker
Director

Esendex Limited

Directors Report

For the year ended 30 June 2016

The directors present their report and the audited financial statements for the year ended 30 June 2016.

Directors' responsibilities statement

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

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

Directors

The directors who served during the year were:

G A Love
S Baker
P C Gardner
A Lea

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, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board of directors on 7th October 2016.

Signed on behalf of the board of directors:

S Baker
Director

Grant Thornton

Independent Auditor's Report to the Members of Esendex Limited

For the year ended 30 June 2016

We have audited the financial statements of Esendex Limited for the year ended 30 June 2016 which comprise the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2016 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Grant Thornton UK LLP

David White
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham 10/10/16

Esendex Limited

Statement of Comprehensive Income

For the year ended 30 June 2016

	Note	2016 £	2015 £
Turnover	4,5	23,199,373	12,576,294
Cost of sales		(12,197,485)	(6,613,217)
Gross profit		11,001,888	5,963,077
Administrative expenses		(7,700,253)	(4,257,467)
Exceptional items	8	216,700	(50,000)
Total administrative expenses		(7,483,553)	(4,307,467)
Operating profit	6	3,518,335	1,655,610
Profit on ordinary activities before interest		3,518,335	1,655,610
Interest receivable	9	330,968	200,650
Interest payable	10	(28,374)	(86,755)
Profit on ordinary activities before taxation		3,820,929	1,769,505
Taxation	11	(271,553)	(243,255)
Profit for the financial year		3,549,376	1,526,250
Total comprehensive income for the financial year		3,549,376	1,526,250

The notes on pages 8-22 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 2016

	Note	2016	2015
		£	£
Fixed assets			
Intangible assets	12	263,168	160,103
Tangible assets	13	776,269	784,875
Investments	14	183,951	183,968
		1,223,388	1,128,946
Current assets			
Debtors	15	9,825,797	9,756,063
Cash at bank and in hand		4,277,055	1,564,236
		14,102,852	11,320,299
Creditors: amounts falling due within one year	16	(8,101,429)	(8,514,384)
Net current assets		6,001,423	2,805,915
Total assets less current liabilities		7,224,811	3,934,861
Creditors: amounts falling due after more than one year	17	--	(309,700)
Deferred tax liability	18	(103,204)	(52,930)
Net assets		7,121,607	3,572,231
Capital and reserves			
Called up share capital	19	100	100
Profit and loss account	20	7,121,507	3,572,131
		7,121,607	3,572,231

The notes on pages 8-22 form part of these financial statements.

The financial statements were approved by the board of directors on 7th October 2016.

Signed on behalf of the board of directors:

S Baker
Director

Company registration no: 04217280

Esendex Limited

Statement of Changes In Equity
For the year ended 30 June 2016

	Called-up share capital £	Profit and loss account £	Total £
At 30 June 2014	**100**	**2,045,881**	**2,045,981**
Comprehensive income			
Profit and total comprehensive income for the year	--	1,526,250	1,526,250
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**

Notes to the Financial Statements
For the year ended 30 June 2016

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.

These financial statements are the first financial statements of Esendex Limited prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements of Esendex Limited for the year ended 30 June 2015 were prepared in accordance with previous UK GAAP and have been restated in these financial statements to comply with FRS 102 as necessary. Please refer to note 29 for an explanation of the transition.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102. The directors have also taken advantage of certain exemptions (see below) from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

The individual accounts of Esendex Limited have also adopted the following disclosure exemptions:
- 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 2016 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, which extend 48 months past the balance sheet date, 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 consolidated financial statements.

3 Significant judgements and estimates

The directors of Esendex Limited feel there are no areas where significant judgements or estimates have been made which could materially affect the financial statements.

4 Principal accounting policies

4.1 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.

4.2 Intangible assets

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

- The technical feasibility of completing the software so that it will be available for use or sale.
- The intention to complete the software and use or sell it.
- The ability to use the software or to sell it.
- How the software 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 software.
- The ability to measure reliably the expenditure attributable to the software 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.

4.3 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

4.4 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.

4 Principal accounting policies (continued)

4.5 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.

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.

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

4 Principal accounting policies (continued)

4.7 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.

4.8 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.

4.9 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.

4 Principal accounting policies (continued)

4.9 Taxation (continued)

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.

4.10 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.

4.11 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.

4.12 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.

4.13 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.

5 *Turnover*

For the years ended 30 June 2016 and 30 June 2015 all of the turnover for Esendex Limited was for the rendering of business to business communication services and was generated in the United Kingdom.

6 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after:

	2016	2015
	£	£
Auditor's remuneration:		
Fees payable to the company's auditor and its associates for:		
- Audit of the company's annual accounts	**26,638**	22,553
- Tax compliance services	**11,416**	10,230
Depreciation of tangible fixed assets		
- owned by the company	**249,329**	215,311
- held under finance leases	**--**	2,507
Foreign exchange (gains) / losses	**(228,429)**	43,858
Operating lease rentals *	**142,288**	(1,070)
Amortisation - Development costs	**85,799**	4,662

* In the year ended 30 June 2015 operating lease rentals were not solely included within Esendex Limited as the Trade and Assets of Textmarketer Limited and Collstream Limited were not transferred until the 30 June 2015. In *the year ended 30 June 2016 all operating lease rentals were included in Esendex Limited.*

7 Directors and employees

Staff costs during the year were as follows:	2016	2015
	£	£
Wages and salaries	4,199,978	2,842,422
Social security costs	570,443	314,511
Other pension costs	153,894	15,192
	4,924,315	3,172,125

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 £153,894 (2015: £15,192). Contributions totalling £43,652 (2015: debtor of £1,504) were payable to the fund at the year end and are included in other creditors.

The average number of employees of the group during the year was:	2016	2015
	No.	No.
Sales	28	20
Technical	54	39
Administration	38	23
	120	82

Remuneration in respect of directors was as follows:	2016	2015
	£	£
Emoluments	854,307	734,222
Pension contributions to money purchase pension schemes	20,330	2,864
	874,637	737,086

During the year 6 directors (2015: 3) participated in money purchase pension schemes.

The amounts set out above include remuneration in respect of the highest paid director as follows:	2016	2015
	£	£
Emoluments	188,907	201,028
Pension contributions to money purchase pension schemes	--	--
	188,907	201,028

8 Exceptional items

	2016	2015
Government grant payable:	**£**	£
Increase in provision	--	50,000
Release of provision	(216,700)	--
	(216,700)	50,000

Exceptional items relate to changes in the provision for amounts payable in respect of Government grants received. Please see note 17 for more details.

9 Interest receivable

	2016	2015
	£	£
Interest receivable from group companies	330,926	200,146
Other interest receivable	42	504
	330,968	200,650

10 Interest payable

	2016	2015
	£	£
On loans from group companies	28,374	86,755
	28,374	86,755

11 Tax on profit on ordinary activities

The tax charge is based on the profit for the year and represents:	2016	2015
	£	£
UK Corporation Tax	**231,825**	303,922
Adjustments in respect of previous periods	**(21,654)**	--
Deferred taxation: Leave pay provision	--	(9,093)
Deferred taxation: origination and reversal of timing differences	**66,473**	(51,574)
Deferred taxation: changes in tax rates	**(5,091)**	--
Tax on results on ordinary activities	**271,553**	243,255

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 20% (2015: 20.75%). The differences are explained as follows:

Profit on ordinary activities before tax	**3,820,929**	1,769,505
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 20% (2015: 20.75%)	**764,186**	367,172
Fixed asset differences	**2,311**	--
Expenses not deductible for tax purposes	**10,464**	4,129
Income not taxable for tax purposes	**(160,000)**	--
Provision for deduction on developed products	--	11,037
Group relief claimed	**(344,308)**	(43,711)
Adjustments to tax charge in respect of previous periods	**10,367**	(97,601)
Other differences	--	(2,148)
Deferred tax on transfers	--	5,555
Changes in tax rates	**(11,467)**	(1,178)
Tax on results on ordinary activities	**271,553**	243,255

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is £nil (2015: £nil).

During the year the UK corporation tax rate was decreased. The reduction to 19% (1 April 2017) and 18% (1 April 2020) was substantively enacted by Finance (No.2) Bill 2015 on 26 October 2015.

A further announcement was made in Budget 2016 that the 2020 reduction would be to 17%. This is not however substantively enacted at this time.

12 Intangible fixed assets

	Development £
Cost	
At 1 July 2015	**449,136**
Additions	188,864
Disposals	(284,371)
At 30 June 2016	**353,629**
Depreciation and impairment	
At 1 July 2015	**289,033**
Charge for the year	85,799
Disposals	(284,371)
At 30 June 2016	**90,461**
Net book amount at 30 June 2016	**263,168**
Net book amount at 30 June 2015	160,103

Amortisation of intangible fixed assets is included in administrative expenses.

13 Tangible fixed assets

	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost				
At 1 July 2015	188,462	1,398,236	16,715	1,603,413
Additions	64,606	182,771	--	247,377
Disposals	(22,972)	--	--	(22,972)
At 30 June 2016	230,096	1,581,007	16,715	1,827,818
Depreciation				
At 1 July 2015	90,420	711,403	16,715	818,538
Provided in the year	36,627	212,702	--	249,329
Disposals	(16,318)	--	--	(16,318)
At 30 June 2016	110,729	924,105	16,715	1,051,549
Net book amount at 30 June 2016	**119,367**	**656,902**	**--**	**776,269**
Net book amount at 30 June 2015	98,042	686,833	--	784,875

14 Investments

	Investment in subsidiaries	Unlisted investments	Total
	£	£	£
Cost			
At 1 July 2015	183,951	17	183,968
Written off in the year	--	(17)	(17)
At 30 June 2016	**183,951**	**--**	**183,951**
Accumulated impairment			
At 30 June 2016 and 30 June 2015	--	--	--
Net book amount at 30 June 2016	**183,951**	**--**	**183,951**
Net book amount at 30 June 2015	183,951	17	183,968

Investments in subsidiaries

At 30 June 2016 and 30 June 2015 the company had interests in the following directly owned 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

15 Debtors

	2016	2015
	£	£
Trade debtors	**2,581,791**	2,571,056
Amounts owed by group companies	**6,896,897**	6,773,395
Other debtors	**34,181**	57,342
Prepayments and accrued income	**312,928**	354,270
	9,825,797	9,756,063

Notes to the Financial Statements

For the year ended 30 June 2016

16 Creditors: amounts falling due within one year

	2016	2015
	£	£
Trade creditors	2,939,240	1,995,904
Amounts owed to group companies	352,687	2,966,917
Taxation and social security	920,285	421,836
Corporation tax	347,846	217,162
Other creditors	192,415	838,124
Accruals and deferred income	3,348,956	2,074,441
	8,101,429	8,514,384

17 Creditors: amounts falling due after more than one year

	2016	2015
	£	£
Government grants	--	309,700
	--	309,700

During the year ended 30 June 2014 a £265,000 Government grant was received by Collstream Limited with conditional repayment terms subject to provision of local employment. As at the year ended 30 June 2015 the liability was assessed to be £309,700 and the amount provided was adjusted accordingly.

A portion of the government grant liability has been written off in the current period following a review of the remaining performance obligations.

The amount of the grant liability expected to be payable is £93,000. This is deemed to be a short term obligation and has been included within other creditors. The resulting release in provision of £216,700 has been recorded as an exceptional item in the statement of comprehensive income.

18 Deferred taxation

Deferred taxation provided for at 18% (2015: 20%) in the financial statements is set out below:

	2016	2015
	£	£
Accelerated capital allowances	103,204	52,930
	103,204	52,930

The amount of the net reversal of deferred tax expected to occur next year is £49,277 (2015: £26,483), relating to the reversal of existing timing differences on tangible fixed assets and the origination of new timing differences on intangible fixed assets.

19 Called up share capital

	2016	2015
Authorised, allotted and fully paid:	£	£
10,000 ordinary shares of £0.01 each	100	100
	100	100

20 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.

21 Capital commitments

There were no capital commitments as at 30 June 2016 or 30 June 2015.

22 *Contingent liabilities*

There were no contingent liabilities as at 30 June 2016 or 30 June 2015.

23 Operating lease commitments

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

	2016	2015
	£	£
Within one year	149,612	92,792
Between one and five years	251,097	293,958

24 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 financial statements of Esendex Topco Limited.

25 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 has been 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.

26 Financial assets and liabilities

	2016	2015
	£	£
Financial assets measured at amortised cost	**13,755,743**	10,908,687
Financial liabilities measured at amortised cost	**5,038,734**	6,181,661

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.

27 Post balance sheet events

The company is not aware of any significant subsequent events which would be required to be recorded or disclosed in the financial statements

28 Ultimate parent undertaking and controlling party

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

The ultimate parent company is Esendex Topco Limited, a company registered in England and Wales. Copies of the consolidated financial statements of Esendex Topco Limited can be obtained from the Registrar of Companies.

The company's ultimate controlling entity is Darwin Private Equity I LP, a fund managed by Darwin Private Equity LLP, a limited liability partnership registered in England and Wales.

29 Transition to FRS 102

The company has adopted FRS 102 for the year ended 30 June 2016 and has restated the comparative prior year amounts.

Reconciliations

Restated company statement financial position	**2016**	2015
	£	£
Original shareholders' funds	**7,150,683**	3,608,607
*Creation of Leave pay provision**	**(35,459)**	(45,469)
Deferred tax on Leave pay provision *	**6,383**	9,093
Restated shareholders' funds	**7,121,607**	3,572,231

Restated profit for the year ended	**2016**	2015
	£	£
Original profit on ordinary activities before tax	3,856,388	1,814,974
Creation of Leave pay provision *	(35,459)	(45,469)
	3,820,929	1,769,505
Original tax on ordinary activities	(277,936)	(252,348)
Deferred tax on Leave pay provision *	6,383	9,093
Restated tax on profit on ordinary activities	(271,553)	(243,255)
Restated profit for the financial year	**3,549,376**	**1,526,250**

Changes for FRS 102 adoption
The leave pay provision represents holiday balances accrued 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.