Registered number: 02645307

SOUTHERN COMMUNICATIONS CORPORATE SOLUTIONS LIMITED (FORMERLY SWITCH COMMUNICATIONS LIMITED)

UNAUDITED

FINANCIAL STATEMENTS

INFORMATION FOR FILING WITH THE REGISTRAR

FOR THE YEAR ENDED 31 MARCH 2019

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2019

The Directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

BALANCE SHEET
AS AT 31 MARCH 2019

	Note		2019 £		*2018 £*
Fixed assets					
Intangible assets	4		**136,647**		*130,630*
Tangible assets	5		**68,478**		*67,077*
			205,125		*197,707*
Current assets					
Stocks		**37,482**		*27,392*	
Debtors: amounts falling due within one year	7	**5,769,410**		*2,075,561*	
Cash at bank and in hand		**735,912**		*2,172,524*	
		6,542,804		*4,275,477*	
Current liabilities					
Creditors: amounts falling due within one year	8	**(2,778,191)**		*(1,921,953)*	
Net current assets			**3,764,613**		*2,353,524*
Provisions for liabilities					
Deferred tax		**(3,587)**		-	
			(3,587)		-
Net assets			**3,966,151**		*2,551,231*
Capital and reserves					
Called up share capital			**6,000**		*6,000*
Profit and loss account			**3,960,151**		*2,545,231*
			3,966,151		*2,551,231*

BALANCE SHEET (CONTINUED)
AS AT 31 MARCH 2019

The Directors consider that the Company is entitled to exemption from audit under section 479a of the Companies Act 2006 and members have not required the Company to obtain an audit for the year in question in accordance with section 476 of Companies Act 2006.

The Directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the statement of income and retained earnings in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

P J Bradford
Director

Date: 26.11.2019

The notes on pages 4 to 14 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

1. General information

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

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

The principal place of business is:
12 - 16 Addiscombe Road
Croydon
CR0 OXT

2. Accounting policies

2.1 Summary of significant accounting policies and key accounting estimates

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

2.2 Statement of compliance

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

2.3 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The Company has elected to apply all amendments to FRS 102, as set out in the triennial review published in December 2017, prior to the mandatory adoption for accounting periods beginning on or after 1 January 2019.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

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

The following principal accounting policies have been applied:

2. *Accounting policies (continued)*

2.4 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Southern Communications Group Limited as at 31st March 2019 and these financial statements may be obtained from Companies House.

2.5 Exemption from preparing consolidated financial statements

The Company is a parent Company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

2.6 Going concern

The Company meets its day-to-day working capital requirements through its operating cash flows and bank facilities. The Company's forecasts and projections, taking reasonable account of possible changes in trading performance, show that the Company should be able to operate within the level of its current facilities and 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.

2.7 Revenue

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

The Company recognises revenue when:

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

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

2. Accounting policies (continued)

2.8 Leases

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

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

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

2.9 Interest income

Interest income is recognised in the Statement of income and retained earnings using the effective interest method.

2.10 Finance costs

Finance costs are charged to the Statement of income and retained earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.11 Pensions

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

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

2. Accounting policies (continued)

2.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of income and retained earnings, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. Accounting policies (continued)

2.13 Intangible assets

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Costs associated with maintaining computer software 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.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Intangible assets are amortised over their useful life; in the case of Goodwill, this not exceed ten years if a reliable estimate of the useful life cannot be made.

Intangible assets are initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

The estimated useful life is as follows:

Goodwill	10 years
Computer software	10 years

2. Accounting policies (continued)

2.14 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using both the straight line and reducing balance basis..

The estimated useful lives range as follows:

Leasehold improvements	- over the period of the lease
Plant and machinery	- 15-33% reducing balance and 33-50% straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of income and retained earnings.

2.15 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

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

2.16 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.17 Cash and cash equivalents

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

2.18 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2. Accounting policies (continued)

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of income and retained earnings in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.20 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of income and retained earnings.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an 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.

2. Accounting policies (continued)

2.21 Share Capital

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

3. Employees

The average monthly number of employees, including directors, during the year was 32 *(2018 - 31)*.

4. Intangible assets

	Computer software £	Goodwill £	Total £
Cost			
At 1 April 2018	**166,678**	**226,135**	**392,813**
Additions	**43,886**	**-**	**43,886**
At 31 March 2019	**210,564**	**226,135**	**436,699**
Amortisation			
At 1 April 2018	**36,048**	**226,135**	**262,183**
Charge for the year	**37,869**	**-**	**37,869**
At 31 March 2019	**73,917**	**226,135**	**300,052**
Net book value			
At 31 March 2019	**136,647**	**-**	**136,647**
At 31 March 2018	*130,630*	*-*	*130,630*

Goodwill relates to the acquisition of Leycommunication Services Limited and Leycome Network Services Limited in May 2007. Amortisation is included in administrative expenses in the Statement of income and retained earnings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

5. Tangible fixed assets

	Leasehold improv'ment £	Plant and machinery £	Total £
Cost			
At 1 April 2018	176,061	510,130	686,191
Additions	-	32,067	32,067
At 31 March 2019	176,061	542,197	718,258
Depreciation			
At 1 April 2018	161,896	457,218	619,114
Charge for the year	3,384	27,282	30,666
At 31 March 2019	165,280	484,500	649,780
Net book value			
At 31 March 2019	10,781	57,697	68,478
At 31 March 2018	*14,165*	*52,912*	*67,077*

6. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding	Principal activity
Switch IP Limited	Glebe Farm, Down Street, Dummer, Basingstoke, RG25 2AD	Ordinary	100%	Dormant

7. Debtors

	2019 £	*2018* *£*
Trade debtors	520,931	*412,061*
Amounts owed by group undertakings	4,877,487	*1,360,387*
Other debtors	17,143	*6,789*
Prepayments and accrued income	353,849	*296,324*
	5,769,410	*2,075,561*

8. *Creditors: amounts falling due within one year*

	2019 £	*2018* *£*
Trade creditors	450,418	*424,786*
Amounts owed to group undertakings	1,034,735	*322,525*
Corporation tax	216,531	-
Other taxation and social security	270,653	*296,119*
Other creditors	71,131	*3,242*
Accruals	125,185	*193,183*
Deferred income	609,538	*682,098*
	2,778,191	*1,921,953*

9. Contingent liabilities

The Company has entered into a cross guarantee arrangement to secure the bank loans of the Southern Communications Group Limited and its subsidiaries. At the year end, the total outstanding facilities were £142,033,627 *(2018: £26,742,393)*.

10. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £45,354 *(2018: £32,902)*.

Contributions totalling £3,911 *(2018: £3,242)* were payable to the fund at the balance sheet date.

11. Related party transactions

The Company has taken advantage of the exemption from disclosing related party transactions with other companies that are wholly owned within the Group.

12. Controlling party

The Company's immediate parent is Southern Communications Holdings Limited, incorporated in England and Wales.

The parent of the smallest and largest group for which consolidated accounts are prepared is Southern Communications Group Limited. These financial statements are available upon request from Companies House, Crown Way, Cardiff, CF14 3UZ.

The ultimate parent company is Southern Communications Group Limited. The Directors believe there to be no ultimate controlling party.