

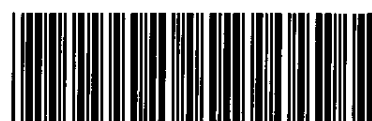
Registered number:
10053004

Southern Communications Group Limited

Annual Report and Consolidated Financial Statements

For the year ended 31 March 2022

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Southern Communications Group Limited

COMPANY INFORMATION

Directors	PJ Bradford DC Goldie MO Kirk DC Phillips JN Wilson AJ Moody
Registered number	10053004
Registered office	Glebe Farm Down Street Dummer Hampshire England RG25 2AD
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Southampton Science Park Chilworth Southampton SO16 7QJ

Southern Communication Group Limited

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Southern Communications Group Limited

Group Strategic Report For the year ended 31 March 2022

The Directors present their strategic report for the year ended 31 March 2022.

Principal activity

The Southern Communications Group Limited (Group) is a leading supplier of its own Cloud based hosted telephony to resellers in the UK both as a SaaS (Software as Service) offering via our trusted team of growing resellers and a full shrink-wrapped solution which is sold through the Group's direct and indirect sales channels. The Group provides all aspect of business voice and data communication services including data connectivity from broadband to multi-site wide area networks, Cloud data solutions, IP telephone systems, business calls & line rental and full mobile service provision. The solutions are delivered and supported nationally across the UK.

Business review and future developments

The Group made several acquisitions during the year. The acquisitions added further hosted and reseller partners (Hello), geographic expansion into the Midlands (JCMF Holdings trading as TIC), geographic expansion into the Southwest (Horizon Telecom and post year end Eurolink), further South East scale (ICS) and further hosted capability (Storacall). The acquisitions fall in line with the Group's plan to expand rapidly through a mixture of controlled organic growth and sustainable acquisitions.

Storacall Technology Limited is a strategic acquisition for the Group as it adds enhanced UCaaS capabilities to the Group. The primary product, Surgery Connect, serves the fast-growing GP Surgery hosted communications/contact centre market.

The acquisitions and payment of contingent consideration on acquisitions was funded primarily through the cash generated by operating activities along with £14 million drawn from existing debt facilities.

Positioned for growth

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

Revenue growth for the year was £13,796,796, of which £6,609,125 was achieved through acquisition.

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

	2022	2021
Turnover	£98,110,491	£84,313,695
Gross profit	£52,711,869	£45,321,767
Gross profit margin	53.73%	53.75%
EBITDA*	£24,768,514	£24,392,421
EBITDA* margin	25.25%	28.93%
EBITDA* to operating cash-flow conversion	89.65%	108.85%

*Earnings before interest, taxation, depreciation, amortisation and exceptional items. Refer to Note 5

Southern Communications Group Limited

Group Strategic Report For the year ended 31 March 2022

Positioned for growth (continued)

During the year, the Group incurred fees of £925,000 in relation to the sale of Southern Communications Group Limited to Saint Bidco Limited. This is a one off and exceptional cost, specifically relating to commercial and financial vendor due diligence and legal fees incurred to enable the sale of the Group.

Review of Group Trading

Revenue during the period was impacted by a reduction in project-based income (down to 5.1% of revenue and 4.3% of gross margin), reduced call volumes and mobile calling out of bundle. However, the ownership of our own hosted platforms has offset these trends with the value of annual hosted gross margin increasing by 29% year on year. Hosted telephony and data gross margin represented 23.7% and 21.3% of total gross margin respectively for the year.

Strong market platform

As a platform, the Group is a Tier2 ISP with 6 points of presence across the country and interconnects to virtually every major carrier in the UK. MyPhones our SME focussed hosted cloud telephony platform, is embedded across 3 data centres in full active mode within the UK, 2 of which are outside our ISP network, providing added resilience.

Surgery Connect is embedded across 3 data centres within the UK

This allows the Group to provide its customers every aspect of voice & data connectivity. Within the network we have our own cloud computing virtual environment as well as LAN & WAN security solutions.

The Group is also one of only 10 O2 and 16 EE service providers in the UK.

Principal risks and uncertainties

Operational

The shape of our business services has evolved to full-service provision for voice and data providing our direct, indirect & wholesale customers with access to the internet and global voice networks. For our hosted telephony cloud platform, we have invested heavily in development and offer our resellers in effect a SaaS solution, allowing them to fully white label and benefit from aggregating external services.

The Group is certified under ISO 27001 security, as well as Cyber Essential Plus with a dedicated Chief Security officer within the business and has strong governance around the risks of cyber security and telephony fraud. As part of our ongoing processes, we employ external agencies to carry out penetration testing on our systems and all employees have undertaken security training. We strive to mitigate these risks with full Board visibility.

Macro-economic conditions

The Group's revenues and operations are entirely UK based, and while the UK economy is facing uncertainty, it will almost certainly create opportunities for the Group, which has traditionally seen strong trading during downturns in the UK economic environment.

The Directors have therefore not identified any significant risks associated with the current economic situation, although continue to carefully monitor the situation.

The Directors have addressed the current interest rate conditions by entering into a 2.5% SONIA cap for £110m of the Southern Communications Holdings Limited debt. This was taken out on 4th August 2022, effective 31st March 2022. This was arranged through Santander with a termination date of 30th September 2024.

Southern Communications Group Limited

**Group Strategic Report
For the year ended 31 March 2022**

Liquidity and interest rates

The company seeks to manage financial risks by ensuring sufficient liquidity is available to meet foreseeable needs and has a strong partnership with its lenders in Santander and Ares.

Going concern

The Group reported a positive EBITDA for the year of £24.7m, with charges for amortization of £21m and interest payable of £17m contributing to a reported loss before taxation for the year of £16m, with £5m net current liabilities.

As at 31 March 2022 the Group financing arrangements consisted of a total committed loan facility of £211.2m, of which £43.5m remained undrawn. £37.3 million of this outstanding balance is within Saint Bidco Limited, the Group's immediate parent. This facility is due to expire on the 22 August 2026. The Group extended its Santander senior debt facility by £5.7m on 10th November 2022.

The Group's forecasts and projections, taking into account reasonably possible changes in trading performance show that the Group will be able to operate within the level of its facilities to a period to 31 December 2023 of these financial statements and is still expecting to achieve an increase in EBITDA for the period to 31 December 2023. In drawing a conclusion on the Group's ability to continue as a going concern, the Directors have assessed the financial risks to the organization and evaluated a number of scenarios including reverse stress testing covenant compliance. The principal risk to going concern has been identified as COVID-19 and its impact on the wider economic environment and the Group.

Financial covenants set by lenders continue to be met and are anticipated to be met for the period to 31 December 2023. Covenants in place are cashflow cover and senior net leverage which continue to be met. Forecasts for the group's future performance include continued compliance of these covenants.

In a constantly changing environment an agile approach has been taken, to facilitate our response to changes to organizational risk in a timely and robust manner. This includes both regular and event prompted reviews of risks, regular cash review and management, and staff working in a flexible manner to support the ongoing success of the Group.

At the time of approving the financial statements, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Future developments

The Group's strategy for the future remains unchanged with a focus on growth, both organically and through acquisitions.

Southern Communications Group Limited

**Group Strategic Report
For the year ended 31 March 2022**

Section 172(1) Statement

This statement should be read in conjunction with the Directors report.

Engaging with our stakeholders

The Board recognises the importance of understanding the views of the Group's key stakeholders. The parent entity's stakeholders include primarily their employees, shareholders, investors and customers of the Group and the Group's suppliers. A range of mechanisms for engaging with these differing groups are detailed below, which ensure that their views and the matters set out in section 172 Companies Act 2006 in respect of the Directors' duty to promote the success of the Company for the benefit of its members as a whole, are considered as part of the Company's strategic decision-making.

Statement of engagement with suppliers, customers and others in a business relationship with the company

Southern Communications Group Limited ("SCGL") as a stand-alone entity does not have any significant customer relationships. Its subsidiaries have a broad spectrum of customers with 23,805 at 31 March 2022 and the Group engages with them on a regular basis through Customer Service reviews. Customer experience is a critical focus to the Group, and this is what enables the Group to foster long-term partnerships and help our clients achieve even greater business success. The relationship with our customers is underpinned by our low levels of revenue churn and strong TrustPilot scores of 4.9/5.

Whilst the parent company has a very limited supply chain, the Group's success is strongly influenced by its relationship with its suppliers with which the Group conducts regular operational reviews and settles their bills in a timely manner.

Shareholders

Engagement with shareholders is essential to the success of the Group. As the controlling shareholders are also the executive Directors, they actively participate in the strategic direction of the Group. Their engagement is met by their Board participation and their close involvement with the strategic operations of the Group.

Community and the environment

The Group has taken the option to exclude disclosure from the streamlined energy and carbon reporting (SECR) regulations, as no individual subsidiary of the Group would itself be obliged to include reporting on its own account.

Results and dividends

The loss for the period amounts to £20,009,158 (2021: loss of £12,447,731). No dividends were paid or proposed.

This report was approved by the Board on 19/12/2022 and signed on its behalf by:

Paul Bradford

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PJ Bradford
Director

Southern Communications Group Limited

**Directors' Report
For the year ended 31 March 2022**

The Directors present their report and the consolidated financial statements for the year ended 31 March 2022

Directors of the Group

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

Director name	Resignation date
PJ Bradford	
DC Goldie	
MO Kirk	
DC Phillips	
AJ Moody	
JN Wilson	
M Caffrey	10 December 2021
S Hollingsworth	10 December 2021

Financial instruments*Objectives and policies*

The Group's principal financial instruments comprise bank loans, bank balances, trade debtors and trade creditors. These instruments provide working capital and acquisition finance for the business and allow it to continue its growth and the acquisition of strategically complementary businesses.

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

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

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

The business generates positive cash-flows, bank loans and loan notes to finance acquisitions. These are at market rates of interest for facilities of this type.

Employee engagement disclosure

The Group's policy is to encourage employee involvement, thereby improving the Group's performance through regular meetings. Information on matters of concern to employees is given through staff newsletters, employee forums, management meetings and regular team briefings, which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

Employees

SCGL's employees are its Directors. Their key interests are considered to be the long-term performance of the business, in particular its EBITDA and also their individual career development and opportunities, wellbeing, training and development. Their ability to help contribute to the future success of the Group, fair remuneration and working conditions and recognition and reward.

The Board meets regularly to review financial information and consider acquisition opportunities. The Directors therefore are involved with the strategic decisions that impact the Group. Their salaries are benchmarked to market rates.

Southern Communications Group Limited

Directors' Report For the year ended 31 March 2022

Employees (continued)

The employees of the subsidiaries have regular Performance Development Reviews, access to Employee Assistance Programmes and provide charitable support through targeted events and initiatives. The Group regularly recruits apprentices and has the ability to train employees to become Chartered Accountants by the Institute of Chartered Accountants in England and Wales.

The Group gives full consideration to applications for employment from disabled persons where the requirement of the job, with adaptations if necessary, can be adequately filled by the applicant. In the event of members of staff becoming disabled, every effort is made to ensure their employment with the Group continues and the appropriate adjustments are made. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer a disability.

Directors third party indemnity insurance

Throughout the year indemnity insurance was held for the Directors of the Group.

Research and development

The Group continues to utilise its technical expertise to remain at the forefront of innovative technology and produce specialist products and services to maximise the performance and capabilities of its customers. The Group is a leading supplier of its own hosted telephony platform, which we continue to develop and building robust bespoke systems for effective operations of the business.

Total Group expenditure on development in the year was £675,711 (2021: £863,051).

Disclosure made in the strategic report

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

Post balance sheet events

The Group acquired the entire issued share capital of Eurolink Connect Limited on 14th April 2022.

The Group acquired the entire issued share capital of Fuse 2 Communications Limited on 22nd June 2022.

The Group acquired the entire issued share capital of New Star Networks PTY on 27th June 2022.

The Group acquired the entire issued share capital of Channel Comms Limited on 15th November 2022.

The Group acquired the entire issued share capital of 9dots Consultants Limited on 16th November 2022.

On 4th August 2022, effective 31st March 2022, Southern Communications Holdings Ltd capped their SONIA rate at 2.5% on £110million of debt. This was arranged through Santander with a termination date of 30th September 2024.

On the 11th November 2022, the Group increased its Santander banking facilities by £5.7m.

Southern Communications Group Limited

**Directors' Report
For the year ended 31 March 2022**

Disclosure of information to auditor

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

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

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

This report was approved by the Board and authorised for issue on 19/12/2022 and signed on its behalf by:

Paul Bradford

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PJ Bradford
Director

Southern Communications Group Limited

Statement of Directors' Responsibilities

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

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

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

This report was approved by the Board and authorised for issue on 19/12/2022 and signed on its behalf by:

Paul Bradford

.....
PJ Bradford
Director

Southern Communications Group Limited



Independent Auditor's report to the members of Southern Communications Group Limited

Opinion

We have audited the financial statements of Southern Communications Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2022, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Cashflow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2022 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures

Southern Communications Group Limited



Independent Auditor's report to the members of Southern Communications Group Limited

and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The directors are responsible for the other information. The other information comprises the other information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Southern Communications Group Limited



Independent Auditor's report to the members of Southern Communications Group Limited

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

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

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

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.

Southern Communications Group Limited



Independent Auditor's report to the members of Southern Communications Group Limited

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group, parent company and industry in which it operates through our commercial and sector experience; making enquiries of management; and inspection of the group and parent company's key external correspondence. We corroborated our enquiries throughout review of board minutes and other information obtained throughout the audit.
- Through the understanding that we obtained, we determined the most significant legal and regulatory frameworks which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks including the United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; the Companies Act 2006; and relevant tax legislation.
- We assessed the susceptibility of the group and parent company's financial statements to material misstatement, including how fraud might occur, by considering management's incentives and opportunities for manipulation of the financial statements. This included estimation areas of recognition of revenue; potential management bias in determining accounting estimates; and through management override of controls.
- Our audit procedures included:
 - Making enquiries of management concerning the group and parent company's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
 - Gaining an understanding of the controls management have in place to prevent and detect fraud.
 - Journal entry testing with a focus on material manual journals, including those with unusual account combinations and those that increased profit or were posted directly to control accounts.
 - Challenging significant accounting assumptions, estimates and judgements made by management, including those made in relation to revenue recognition.
 - Assessing the extent of compliance with relevant laws and regulations as part of our audit procedures on the related financial statement item; and
 - Performing audit procedures to consider the compliance of disclosure in the financial statements with applicable financial reporting requirements.

Southern Communications Group Limited



Independent Auditor's report to the members of Southern Communications Group Limited

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

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- We did not identify any matters relating to non-compliance with laws and regulation or relating to fraud.
- For components at which audit procedures were performed, as the auditor of the group and relevant components, we performed those procedures directly.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagements team's:
 - Understanding of, and practical experience with audit engagements of similar nature and complexity through appropriate training and participation.
 - Knowledge of the industry in which the group and parent company operates; and
 - Understanding of the relevant legal and regulatory frameworks specific to the group and parent company.

Use of our report

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

Grant Thornton UK LLP

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Norman Armstrong BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Southampton

Date: 19/12/2022

Southern Communications Group Limited

**Consolidated Statement of Comprehensive Income
For the year ended 31 March 2022**

	Note	2022 £	2021 £
Turnover	4	98,110,491	84,313,695
Cost of sales		(45,398,622)	(38,991,928)
Gross profit		<u>52,711,869</u>	<u>45,321,767</u>
Administrative expenses	5	(52,058,600)	(42,464,189)
Other operating income	5	14,443	812,062
Operating profit	5	<u>667,712</u>	<u>3,669,640</u>
Interest receivable and similar income	9	584,982	39,214
Interest payable and similar expenses	10	(17,324,878)	(14,834,446)
Loss before taxation		<u>(16,072,184)</u>	<u>(11,125,592)</u>
Taxation	11	(3,936,974)	(1,322,139)
Loss for the year and total comprehensive expense attributable to owners of the parent company		<u>(20,009,158)</u>	<u>(12,447,731)</u>

The notes on pages 20 to 50 form part of these financial statements.

Southern Communications Group Limited
Registered number:10053004

Consolidated Statement of Financial Position
As at 31 March 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	12	151,604,817	129,057,907
Tangible assets	13	6,885,807	3,836,615
		<u>158,490,624</u>	<u>132,894,522</u>
Current assets			
Stocks	15	974,067	1,224,427
Debtors	16	16,384,665	11,434,964
Cash at bank and in hand		12,077,889	11,700,096
		<u>29,436,621</u>	<u>24,359,487</u>
Creditors: amounts falling due within one year	17	(34,431,850)	(20,597,039)
Net current (liabilities) / assets		(4,995,229)	3,762,448
Total assets less current liabilities		153,495,395	136,656,970
Creditors: amounts falling due after more than one year	17	(215,758,954)	(186,223,872)
Deferred tax	11	(6,307,651)	(4,995,150)
		<u>(222,066,605)</u>	<u>(191,219,022)</u>
Net liabilities		(68,571,210)	(54,562,052)
Capital and reserves			
Called up share capital	20	1,036	1,036
Share premium reserve	21	6,062,882	6,062,882
Treasury share reserve	21	-	(6,000,000)
Profit and loss account	21	(74,635,128)	(54,625,970)
Total equity		(68,571,210)	(54,562,052)

The notes on pages 20 to 50 form part of these financial statements.

Approved by the Board and authorised for issue on 19/12/2022 and signed on its behalf by

Paul Bradford

PJ Bradford
 Director

Southern Communications Group Limited
Registered number:10053004

Company Statement of Financial Position
As at 31 March 2022

	Note	2022 £	2021 £
Fixed assets			
Investments	14	36,066	36,066
Current assets			
Debtors	16	37,320,370	32,578,783
Cash at bank and in hand		22,888	1,183
		<u>37,343,258</u>	<u>32,579,966</u>
Creditors: amounts falling due within one year	17	<u>(8,308,394)</u>	<u>(8,263,125)</u>
Net current assets		29,034,864	24,316,841
Total assets less current liabilities		29,070,930	24,352,907
Creditors: amounts falling due after more than one year	17	(35,931,959)	(32,064,346)
Net liabilities		<u>(6,861,029)</u>	<u>(7,711,439)</u>
Capital and reserves			
Called up share capital	20	1,036	1,036
Share premium reserve	21	6,062,882	6,062,882
Treasury shares	21	-	(6,000,000)
Profit and loss account brought forward		(7,775,357)	(4,527,923)
Loss for the year		<u>(5,149,590)</u>	<u>(3,247,434)</u>
Profit and loss account carried forward		(12,924,947)	(7,775,357)
Total equity		<u>(6,861,029)</u>	<u>(7,711,439)</u>

The notes on pages 20 to 50 form part of these financial statements.

Approved by the Board and authorised for issue on 19/12/2022 and signed on its behalf by:

Paul Bradford

PJ Bradford
 Director

Southern Communications Group Limited

**Consolidated Statement of Changes in Equity
For the year ended 31 March 2022**

	Share capital £	Share Premium £	Treasury share reserve £	Profit and loss account £	Total £
At 1 April 2020	1,036	6,062,882	(6,000,000)	(42,178,239)	(42,114,321)
Loss for the year	-	-	-	(12,447,731)	(12,447,731)
Total comprehensive loss for the year	-	-	-	(12,447,731)	(12,447,731)
Total transactions with owners recognised directly in equity	-	-	-	-	-
At 31 March 2021	1,036	6,062,882	(6,000,000)	(54,625,970)	(54,562,052)
Loss for the year	-	-	-	(20,009,158)	(20,009,158)
Total comprehensive loss for the year	-	-	-	(20,009,158)	(20,009,158)
Transactions with owners in their capacity as owners:					
Disposal of Treasury shares	-	-	6,000,000	-	6,000,000
Total transactions with owners recognised directly in equity	-	-	6,000,000	-	6,000,000
At 31 March 2022	1,036	6,062,882	-	(74,635,128)	(68,571,210)

The notes on pages 20 to 50 form part of these financial statements.

Southern Communications Group Limited

Company Statement of Changes in Equity
For the year ended 31 March 2022

	Share capital £	Share Premium £	Treasury share reserve £	Profit and loss account £	Total £
At 1 April 2020	1,036	6,062,882	(6,000,000)	(4,527,923)	(4,464,005)
Loss for the year	-	-	-	(3,247,434)	(3,247,434)
Total comprehensive loss for the year	-	-	-	(3,247,434)	(3,247,434)
Total transactions with owners recognised directly in equity	-	-	-	-	-
At 31 March 2021	1,036	6,062,882	(6,000,000)	(7,775,357)	(7,711,439)
Loss for the year	-	-	-	(5,149,590)	(5,149,590)
Total comprehensive loss for the year	-	-	-	(5,149,590)	(5,149,590)
Transactions with owners in their capacity as owners:	-	-	-	-	-
Disposal of Treasury shares	-	-	6,000,000	-	6,000,000
Total transactions with owners recognised directly in equity	-	-	6,000,000	-	6,000,000
At 31 March 2022	1,036	6,062,882	-	(12,924,947)	(6,861,029)

The notes on pages 20 to 50 form part of these financial statements.

Southern Communications Group Limited

**Consolidated Cashflow Statement
For the year ended 31 March 2022**

	2022 £	2021 £
Cash flows from operating activities		
Loss for the financial year	(20,009,158)	(12,447,731)
Adjustments for:		
Depreciation	2,182,412	1,792,644
Amortisation	20,993,390	18,930,137
Loss/(Profit) on disposal of tangible assets	72,921	(3,658)
Loss on disposal of intangible assets	28,673	52,873
Interest receivable	(87,555)	(39,214)
Gain on redemption of treasury shares	(497,427)	-
Finance costs	17,324,878	14,834,446
Corporation tax charge	3,936,974	1,322,139
	<u>23,945,108</u>	<u>24,441,636</u>
Decrease/(increase) in stocks	250,360	(116,663)
Decrease in debtors	3,250,679	2,803,856
Decrease in creditors	(5,242,239)	(577,550)
Cash generated from operations	<u>22,203,908</u>	<u>26,551,279</u>
Corporation tax paid	(1,236,000)	(602,302)
Net cash generated from operating activities	<u>20,967,908</u>	<u>25,948,977</u>
Cash flows from investing activities		
Purchase of subsidiaries (net of cash acquired)	(13,931,458)	(7,876,074)
Payment of contingent consideration for prior acquisitions	(3,952,695)	(7,331,303)
Acquisitions of intangible assets	(1,465,421)	(3,012,277)
Acquisitions of tangible assets	(3,513,026)	(1,996,175)
Proceeds from sale of tangible assets	-	162,221
Net cash used in investing activities	<u>(22,862,600)</u>	<u>(20,053,608)</u>
Cash flows from financing activities		
Interest payable	(8,207,061)	(8,220,558)
Interest receivable	87,555	39,214
Proceeds from new loans	10,672,750	3,526,054
Repayment of obligations under finance leases	(280,759)	-
Net cash used in financing activities	<u>2,272,485</u>	<u>(4,655,290)</u>
Net increase in cash and cash equivalents	<u>377,793</u>	<u>1,240,079</u>
Cash and cash equivalents at beginning of year	11,700,096	10,460,017
Cash and cash equivalents at the end of year	<u>12,077,889</u>	<u>11,700,096</u>

The notes on pages 20 to 50 form part of these financial statements.

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2022**

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, Hampshire, England, RG25 2AD

The Company's registered number is 10053004.

The Company and its subsidiaries (the "Group") provide all aspect of business voice and data communication services including data connectivity from broadband to multi-site wide area networks, Cloud data solutions, IP telephone systems, business calls & line rental and full mobile service provision. The solutions are delivered and supported nationally across the UK.

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 years presented, unless otherwise stated.

2.2 Statement of compliance

The group and individual financial statements of Southern Communications Group Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

2.3 Basis of preparation

These financial statements have been prepared under the historical cost. The Company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual Statement of Comprehensive Income.

The parent 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 2022.

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in applying the Group and Company's accounting policies (see Note 3).

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2022**

2.4 Basis of consolidation

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

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

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

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

Where the Group has established employee benefit trusts ("EBT") and is the sponsoring entity, notwithstanding the legal duties of the trustees, the Group considers that it has 'de facto' control of such entities. Such arrangements are accounted for as assets and liabilities of the sponsoring company and included in the consolidated financial statements as appropriate. The Company's equity instruments held by the EBT are accounted for as if they were the Company's own equity and are treated as treasury shares. No gain or loss is recognised in profit or loss or other comprehensive income of the purchase, sale or cancellation of the Company's equity held by the EBT.

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2022**

2.5 Going concern

The Group reported a positive EBITDA for the year of £24.7m, with charges for amortization of £21m and interest payable of £17m contributing to a reported loss before taxation for the year of £16m, with £5m net current liabilities.

As at 31 March 2022 the Group financing arrangements consisted of a total committed loan facility of £211.2m, of which £43.5m remained undrawn. £37.3 million of this outstanding balance is within Saint Bidco Limited, the Group's immediate parent. This facility is due to expire on the 22 August 2026. The Group extended its Santander senior debt facility by £5.7m on 10th November 2022.

The Group's forecasts and projections, taking into account reasonably possible changes in trading performance show that the Group will be able to operate within the level of its facilities to a period to 31 December 2023 of these financial statements and is still expecting to achieve an increase in EBITDA for the period to 31 December 2023. In drawing a conclusion on the Group's ability to continue as a going concern, the Directors have assessed the financial risks to the organization and evaluated a number of scenarios including reverse stress testing covenant compliance. The principal risk to going concern has been identified as COVID-19 and its impact on the wider economic environment and the Group.

Financial covenants set by lenders continue to be met and are anticipated to be met for the period to 31 December 2023. Covenants in place are cashflow cover and senior net leverage which continue to be met. Forecasts for the group's future performance include continued compliance of these covenants.

In a constantly changing environment an agile approach has been taken, to facilitate our response to changes to organizational risk in a timely and robust manner. This includes both regular and event prompted reviews of risks, regular cash review and management, and staff working in a flexible manner to support the ongoing success of the Group.

At the time of approving the financial statements, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2022**

2.6 Revenue recognition

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

The Group recognises revenue when:

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

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

Revenue recognition on contracts can include multiple deliverables such as providing services over a period, and delivery of products provided as part of this contract.

In these circumstances, it is necessary to separately identify the contract components, and recognise revenue between the sale of goods and rendering of services by un-bundling the contract. The total consideration is assigned to each component and recognised at the point of delivery with reference to the fair value and performance obligations of each component. The fair value is determined by comparing to amounts billed by the Company on a single item basis or based upon historical sale mark-ups. Accrued or deferred income may arise where amounts are billed in advance or arrears of the recognition of the sale of goods or provision of services.

2.7 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income. Grants of a revenue nature are recognised in the Statement of income and retained earnings in the same period as the related expenditure

2.8 Taxation

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

The current income tax charge is calculated based on tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and or unused tax losses or tax credits in the Group. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

Southern Communications Group Limited

Notes to the Financial Statements For the year ended 31 March 2022

2.9 Tangible assets

Tangible assets are stated in the Statement of Financial Position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

Depreciation

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

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.10 Intangible assets

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

Intangible assets that have been acquired as part of business combinations, such as unregistered intellectual property and customer lists, are initially recognised at fair value at the date of acquisition representing the cost to acquire those assets and are subsequently stated at cost less accumulated amortisation and accumulated impairment losses. In the current year the Group has adopted the triennial amendments in FRS102. Prospectively from adoption intangibles on a business combination are only recognised where they are both separable and arise from contractual or legal rights.

Contingent consideration is initially recognised at an estimated amount where the consideration is probable and can be measured reliably. When contingent consideration previously measured is adjusted the amounts are recognised as an adjustment to the cost of the business combination.

Southern Communications Group Limited

Notes to the Financial Statements For the year ended 31 March 2022

2.10 Intangible assets (continued)

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

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

Asset lives for Goodwill, Unregistered intellectual property and customer lists are based on past experience of expected lives of customer relationships. Amortisation charges are included in profit or loss within administrative expenses.

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

2.11 Investments

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

2.12 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.

2.13 Stocks

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

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

2.14 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 Statement of Financial Position as a finance lease obligation.

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

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

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2022**

2.15 Share capital

Ordinary shares 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.

2.16 Dividends

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

2.17 Defined contribution pension obligation

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

2.18 Financial instruments

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

Financial assets

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

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

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

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

Financial assets are derecognised when:

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

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2022**

2.18 Financial instruments (continued)*Financial liabilities*

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

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

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

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

Offsetting

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

2.19 Related parties

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

2.20 Provisions and contingencies**Provisions:**

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Contingencies:

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2022**

2.21 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence. Items are identified as exceptional separating them from the underlying performance of the Group.

2.22 Alternative performance measures (APMs)

Management exercises judgment in determining adjustments to apply to FRS102 measurements in order to derive suitable APMs which are not used by management to provide additional useful information on the trends, performance and position of the Group. These measures are used for performance analysis by the Board, are not defined by FRS102 and not intended to be a substitute for FRS102 measurements. They may not be directly comparable with other companies APMs.

3. Key accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Critical judgements**i. Useful economic lives of customer lists and other intangibles**

The useful lives of acquired customer lists are estimated based on prior experience on past acquisitions of the expected lifetime of the underlying customer base. The Group reviews estimated useful lives of intangible assets annually to and where necessary useful lives are adjusted.

At the year end the carrying value of acquired customers lists was £28 million (2021: £29 million) and the annual amortisation charge was £1 million (2021: £5 million).

ii. Impairment of intangible assets and goodwill.

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

The judgement of the Directors is that the global coronavirus pandemic has not resulted in an impairment of its goodwill or customer lists for past acquisitions. This judgement is based on the trading performance of the company to the end of March 2022. Given its diverse customer base and the necessity of expenditure on communication, although there was a reduction in revenues during the year, this was not significant. The pandemic was not therefore considered to be an indicator of impairment at the year end.

The carrying value of goodwill at the year-end was £122 million (2022: £98 million) and the amortisation charge for the year was £19 million (2022: £13 million).

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2022**

3. Key accounting estimates and assumptions (continued)

Key sources of estimation uncertainty

i. Consideration paid on acquisition

The value of investments in newly acquired subsidiaries include contingent consideration, which are estimated by management based on forecast trading of the acquired company. At the year end the estimated contingent consideration was £16 million (2021: £3 million). Increases to prior year estimates of £2 million were made in the year.

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2022**

4. Revenue

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

	2022 £	2021 £
Rendering of services	89,349,231	79,501,374
Sale of goods	8,386,032	4,614,748
Commissions received	375,228	197,573
	<u>98,110,491</u>	<u>84,313,695</u>

Turnover has been wholly generated within the United Kingdom.

5. Operating profit

Arrived at after charging;

	2022 £	2021 £
Government grants receivable	(14,443)	(812,062)
Depreciation	2,182,412	1,792,644
Amortisation expense	20,993,390	18,930,137
Operating lease expense	781,337	889,568
Loss/ (profit) on disposal of property, plant and equipment	72,921	(3,658)
Loss on disposal of intangible fixed assets	28,673	26,696
Impairment of receivables	92,468	154,604

EBITDA has been calculated for the Group as follows:

	2022 £	2021 £
Loss before taxation	(16,072,184)	(11,125,592)
Add back:		
Interest receivable and similar income	(584,982)	(39,214)
Interest payable and similar expense	17,324,878	14,834,446
Amortisation of intangible assets	20,993,390	18,930,137
Depreciation of tangible assets	2,182,412	1,792,644
Exceptional items*	925,000	-
Earnings before interest, taxation, depreciation, amortisation and exceptional items	<u>24,768,514</u>	<u>24,392,421</u>

*Exceptional items relate to one off fees, to enable the sale of the Group

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2022**

6. Auditor's remuneration

Auditor's remuneration

Fees payable to the Company's auditor and its associates for the audit of the parent Company and the Group's consolidated financial statements

	2022	2021
	£	£
Audit of the financial statements	50,902	22,500
Audit of subsidiary financial statements	238,637	161,710
Tax compliance services	147,050	74,800
Tax advisory	30,000	21,000
Preparation of financial statements	35,000	83,225
	<u>501,589</u>	<u>363,235</u>

7. Employees

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

	2022	<i>restated</i> 2021
	£	£
Wages and salaries	16,462,888	13,328,120
Social security costs	1,732,193	1,366,151
Pension costs, defined contribution scheme	364,825	265,898
	<u>18,559,906</u>	<u>14,960,169</u>

The above figures are stated net of capitalised payroll costs totalling £905,569 (2021: £774,282)

The prior year aggregate payroll costs and average number of persons employed by the group have been restated to provide a more accurate comparative to the current year figures. The restatement is purely presentational and does not change the reported Statement of Comprehensive Income, Statement of Financial Position or Cashflow Statement.

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

	2022	2021
	No.	No.
General	69	58
Customer services	127	110
Senior Management Team	18	11
Engineering and maintenance	83	72
Hosted development team	15	12
IT Team	9	6
Network team	10	8
Sales team	85	78
Directors	6	8
	<u>422</u>	<u>363</u>

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2022**

7. Employees (continued)

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

	2022 No.	2021 No.
Management	<u>6</u>	<u>8</u>

8. Directors' remuneration

The Director's remuneration for the year was as follows:

	2022 £	2021 £
Remuneration	725,617	764,975
Amounts paid to third parties	<u>40,000</u>	<u>40,000</u>
	<u>765,617</u>	<u>804,975</u>

Highest paid director:

	2022 £	2021 £
Remuneration	<u>170,724</u>	<u>150,152</u>

0 directors (2021: 0) were members of defined contribution schemes.

Key management compensation

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

Key management compensation

	2022 £	2021 £
Remuneration	<u>897,345</u>	<u>918,063</u>

9. Interest receivable

	2022 £	2021 £
Gain on redemption of shares	497,427	-
Interest income on bank deposits	<u>87,555</u>	<u>39,214</u>
	<u>584,982</u>	<u>39,214</u>

10. Interest payable and similar expenses

	2022 £	2021 £
Interest on bank overdrafts	461	687
Interest on other loans	<u>17,324,417</u>	<u>14,833,759</u>
	<u>17,324,878</u>	<u>14,834,446</u>

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2022**

11. Taxation

Tax credited in the income statement

	2022 £	2021 £
Current tax:		
UK corporation tax	2,338,815	1,280,453
Adjustments in respect of prior periods (taxation)	<u>284,828</u>	<u>253,724</u>
	<u>2,623,643</u>	<u>1,534,177</u>
Deferred tax:		
Arising from origination and reversal of timing differences	434,106	(896,289)
Arising from rate change	1,037,042	-
Adjustments in respect of prior periods (deferred tax)	<u>(157,817)</u>	<u>684,251</u>
	<u>1,313,331</u>	<u>(212,038)</u>
 Tax charge in the consolidated statement of comprehensive income	 <u>3,936,974</u>	 <u>1,322,139</u>

The tax on loss before tax for the period is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%).

	2022 £	2021 £
Loss on ordinary activities before taxation	<u>(16,072,184)</u>	<u>(11,125,592)</u>
Corporation tax at standard rate (19%)	(3,053,715)	(2,113,863)
Disallowable amortisation	3,768,748	2,426,001
Deferred tax rate change	1,037,042	-
Expense adjustments	175,229	289,088
Adjustments in respect of prior periods	127,011	937,975
Acquired losses	-	-
Research and Development tax credit	(26,360)	(217,063)
Disallowable interest	1,909,019	-
Total tax charge	<u>3,936,974</u>	<u>1,322,138</u>

Deferred tax:

	2022 £	2021 £
At 1 April	(4,995,150)	(5,191,965)
Acquired with subsidiaries	830	(15,223)
Charged to the profit and loss account	<u>(1,313,331)</u>	<u>212,038</u>
At 31 March	<u>(6,307,651)</u>	<u>(4,995,150)</u>

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2022**

11. Taxation (continued)

Analysis of deferred tax

	2022 £	2021 £
Capital allowances	153,886	196,219
Deferred tax provision on valuation of intangible fixed assets	6,171,036	4,883,225
Losses carried forward	(12,536)	(69,907)
Other temporary timing differences	(4,735)	(14,387)
Deferred tax provision	<u>6,307,651</u>	<u>4,995,150</u>

On 3 March 2021, it was announced that the standard rate of corporation tax will increase from 19% to 25% from 1 April 2023 on profits in excess of £250,000. A small profits rate of 19% will apply to profits of £50,000 or less. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective corporation tax rate. As these changes were enacted before the year end, deferred tax has been provided for at 25%.

Southern Communications Group Limited

Notes to the Financial Statements
For the year ended 31 March 2022

12. Intangible assets

Group	Goodwill £	Unregistered Intellectual property £	Customer lists £	Computer software £	Other £	Total £
Cost						
At 1 April 2021	142,350,188	1,050,000	52,274,452	2,591,402	52,347	198,318,389
Additions	-	-	-	1,465,421	-	1,465,421
Acquired through business combinations	41,840,330	-	-	263,222	-	42,103,552
Disposals	-	-	-	(98,720)	-	(98,720)
At 31 March 2022	<u>184,190,518</u>	<u>1,050,000</u>	<u>52,274,452</u>	<u>4,221,325</u>	<u>52,347</u>	<u>241,788,642</u>
Amortisation						
At 1 April 2021	44,189,556	566,963	23,676,903	774,713	52,347	69,260,482
Charge for the period	14,977,544	105,000	4,752,971	1,157,875	-	20,993,390
Disposals	-	-	-	(70,047)	-	(70,047)
At 31 March 2022	<u>59,167,100</u>	<u>671,963</u>	<u>28,429,874</u>	<u>1,862,541</u>	<u>52,347</u>	<u>90,183,825</u>
Net book value						
At 31 March 2022	<u>125,023,418</u>	<u>378,037</u>	<u>23,844,578</u>	<u>2,358,784</u>	<u>-</u>	<u>151,604,817</u>
At 31 March 2021	<u>98,160,632</u>	<u>483,037</u>	<u>28,597,549</u>	<u>1,816,689</u>	<u>-</u>	<u>129,057,907</u>

There are no individually material intangible fixed assets

Company

No intangible fixed assets are held by the parent company.

The amortisation charge is included within administrative expenses in the statement of total comprehensive income.

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2022**

13. Tangible fixed assets

Group

	Leasehold improvements £	Plant and machinery £	Motor Vehicles	Computer and office equipment £	Total £
Cost					
At 1 April 2021	725,362	3,726,965	47,110	3,979,562	8,478,999
Additions	285,821	207,991	33,291	2,985,923	3,513,026
Acquired through business combinations	37,550	1,295,699	103,822	354,428	1,791,499
Transfers*	-	(2,220,585)	-	2,220,585	-
Disposals	(163,500)	(203,399)	(15,303)	(1,349,835)	(1,732,037)
At 31 March 2022	<u>885,233</u>	<u>2,806,671</u>	<u>168,920</u>	<u>8,190,663</u>	<u>12,051,487</u>
Depreciation					
At 1 April 2021	359,810	2,127,810	47,110	2,107,654	4,642,384
Charge for the period	107,228	112,783	27,242	1,935,159	2,182,412
Transfers*	-	(1,603,477)	-	1,603,477	-
Eliminated on disposal	(163,500)	(189,417)	(15,303)	(1,290,896)	(1,659,116)
At 31 March 2022	<u>303,538</u>	<u>447,699</u>	<u>59,049</u>	<u>4,355,394</u>	<u>5,165,680</u>
Net book value					
At 31 March 2022	<u>581,695</u>	<u>2,358,972</u>	<u>109,871</u>	<u>3,835,269</u>	<u>6,885,807</u>
At 31 March 2021	<u>365,552</u>	<u>1,599,155</u>	<u>-</u>	<u>1,871,908</u>	<u>3,836,615</u>

* relates to specific assets recategorised in the period

Company

No tangible fixed assets are held by the parent company.

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes Nil (2021: Nil) in respect of assets held under finance leases and hire purchase contracts.

14. Fixed asset investments

Company	2022	2021
	£	£
Investments in subsidiaries	<u>36,066</u>	<u>36,066</u>
		Subsidiaries
		£
Cost		
At 1 April 2021		36,066
At 31 March 2022		<u>36,066</u>
Net book value		
At 31 March 2022		<u>36,066</u>
At 31 March 2021		<u>36,066</u>

Southern Communications Group Limited

Notes to the Financial Statements
For the year ended 31 March 2022

14. Fixed asset investments (continued)**Details of undertakings incorporated in England and Wales**

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

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held
Direct Subsidiaries			
Southern Communications Investments Limited	England and Wales	Ordinary	100%
Southern Communications EBT Newco Limited	England and Wales	Ordinary	100%
Indirect Subsidiaries			
Southern Communications Holdings Limited	England and Wales	Ordinary	100%
Southern Business Technologies Limited	England and Wales	Ordinary	100%
Southern Communications Limited	England and Wales	Ordinary	100%
Southern Communications Networks Limited	England and Wales	Ordinary	100%
Efar Limited	England and Wales	Ordinary	100%
Ascent Global Services Limited	England and Wales	Ordinary	100%
Hullabaloo Communications Limited	England and Wales	Ordinary	100%
Atech Network Services Limited	England and Wales	Ordinary	100%
Southern Communications Corporate Solutions Limited	England and Wales	Ordinary	100%
Converse Telecom Limited	England and Wales	Ordinary	100%
Integrated Business Systems Limited	England and Wales	Ordinary	100%
Southern Communications Data Services Limited	England and Wales	Ordinary	100%
DCS Voice and Vision Limited	England and Wales	Ordinary	100%
Verranti Limited	England and Wales	Ordinary	100%
Alliance Communications Solutions Limited	England and Wales	Ordinary	100%
Switch IP Limited	England and Wales	Ordinary	100%
Southern Data Limited	England and Wales	Ordinary	100%
Pinnacle Managed Services Limited	England and Wales	Ordinary	100%
Extrasource Limited	England and Wales	Ordinary	100%
Pinnacle Telecom (Wales) Limited	England and Wales	Ordinary	100%
3 Circles Communications Limited	England and Wales	Ordinary	100%
2 Circles Communications Limited	England and Wales	Ordinary	100%
Et AI Innovations Limited	England and Wales	Ordinary	100%
Dataphone Communications Limited	England and Wales	Ordinary	100%
Dataphone Services Limited	England and Wales	Ordinary	100%
New Star Networks Ltd	England and Wales	Ordinary	100%
DataKom Limited	England and Wales	Ordinary	100%
Commsplus Limited	England and Wales	Ordinary	100%
Maxwell Grant Limited	England and Wales	Ordinary	100%
9Dots Holdings Limited	Scotland	Ordinary	100%
9Dots Consulting Limited	Scotland	Ordinary	100%
Privilege Consulting Limited	England and Wales	Ordinary	100%
Inveniam Communication Solutions Limited	Scotland	Ordinary	100%
Du Pre Limited	England and Wales	Ordinary	100%
Class Telecommunications Limited	England and Wales	Ordinary	100%
Class Affinity Projects Limited	England and Wales	Ordinary	100%

Southern Communications Group Limited

Notes to the Financial Statements For the year ended 31 March 2022

14. Fixed asset investments (continued)

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held
Indirect Subsidiaries (continued)			
Hello Telecom Limited	England and Wales	Ordinary	100%
Hello Telecom (UK) Limited	England and Wales	Ordinary	100%
JMCP Holdings Limited	England and Wales	Ordinary	100%
Horizon Telecom Limited	England and Wales	Ordinary	100%
I.C.S. 1989 Limited	England and Wales	Ordinary	100%
Storacall Technology Limited	England and Wales	Ordinary	100%
TIC (The Independent Choice) Limited	England and Wales	Ordinary	100%

The principal activities/registered office/principal place of business of each subsidiary is shown in note 30.

15. Stocks

	Group		Company	
	2022	<i>restated</i> 2021	2022	2021
	£	£	£	£
Finished goods	974,067	1,224,427	-	-
	<u>974,067</u>	<u>1,224,427</u>	<u>-</u>	<u>-</u>

There is no significant difference between the replacement cost of finished goods and their carrying amounts. Stocks are stated after provisions for impairment of Nil (2021: Nil).

The comparative numbers were previously incorrectly categorised between work in progress, raw material and finished goods. The comparative figures have been restated to provide directly comparable categorisations. The restatement is purely presentational and does not change the reported Statement of Comprehensive Income, Statement of Financial Position or Cashflow Statement.

16. Debtors

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Trade debtors	7,297,170	3,002,906	-	-
Amounts owed by group companies	1,294,596	-	37,235,237	32,576,126
Other debtors	1,688,525	945,330	-	2,657
Corporation tax recoverable	-	-	-	-
Prepayments and accrued income	6,104,374	7,486,728	85,133	-
	<u>16,384,665</u>	<u>11,434,964</u>	<u>37,320,370</u>	<u>32,578,783</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Trade debtors are stated after bad debt provision of £257,893 (2021: £268,609).

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2022**

17. Creditors

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Due within one year				
Trade creditors	7,333,970	4,621,374	-	-
Other loans	-	-	-	-
Finance lease liabilities	139,333	141,125	-	-
Amounts due to group companies	-	-	8,227,291	8,146,976
Corporation tax	1,935,701	395,264	-	-
Social security and other taxes	3,293,679	5,316,753	3,017	-
Contingent consideration	16,030,160	3,215,000	-	-
Accruals and deferred income	5,699,007	6,907,523	78,086	116,149
	34,431,850	20,597,039	8,308,394	8,263,125

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Due after one year				
Due between one and five years				
Finance lease liabilities > 1 year	98,276	377,243	-	-
Contingent consideration > 1 year	10,121,760	-	-	-
Other loans	205,538,918	185,846,629	35,931,959	32,064,346
	215,758,954	186,223,872	35,931,959	32,064,346

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2022**

18. Loans and other borrowings

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Other loans	205,538,918	185,846,629	35,931,959	32,064,346

Facility A £24,100,000 issued 22 August 2018 repayable by balloon repayment on 25 February 2029. The loan bears interest, payable bi-annually of 2.75% plus SONIA. The loan is held at amortised cost and net of £1,155,143 transaction costs.

Facility B £67,400,000 issued 22 August 2018 repayable by balloon repayment on 25 August 2029. The loan bears interest, of 7% plus SONIA, 5% is bi-annually and the remainder cumulatively accrues quarterly. The loan is held at amortised cost and net of £3,230,480 transaction costs.

Acquisition facility and additional acquisition facility of £118,700,000 are available to support the acquisition strategy are repayable by balloon repayment on 25 August 2029. Amounts of £14,000,000 were drawn down in the year to 31 March 2022, the total draw down to 31 March 2022 was £74,732,000. Each tranche bears interest of 7% plus SONIA, 5% is repayable bi-annually and the remainder cumulatively accrues at 2% quarterly. The loan is held at amortised cost and net of £3,290,659 transaction costs.

PIK facility £18,200,000 issued 22 August 2018 repayable by balloon repayment on 25 February 2029. The loan bears cumulative interest, which is accrued quarterly of 12%. The loan is held at amortised cost and net of £872,325 transaction costs.

PIK facility £6,000,000 issued 22 August 2018 repayable by balloon repayment on 25 February 2029. The loan bears cumulative interest, which is accrued quarterly of 12% per annum. The loan is held at amortised cost and net of £287,580 transaction costs.

The Group has a SONIA cap at 2.5% for £110,000,000 which was taken out on 4th August 2022 effective from 31st March 2022. This has a termination date of 30th September 2024. The premium and fair value movement of this derivative financial instrument are not material for further disclosure.

All loan facilities are secured by cross guarantee across the Group..

19. Finance leases

The Group has future minimum finance lease payments as follows:

	2022	2021
	£	£
Not later than one year	139,333	141,125
Later than one year and not later than five years	98,276	377,243
Total	237,609	518,368

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2022**

20. Share capital

Allotted, called up and fully paid shares

	2022		2021	
	No.	£	No.	£
Ordinary A shares of £0.001	325,000	325	325,000	325
Ordinary B shares of £0.001	230,633	230	230,633	230
Ordinary C1 shares of £0.001	155,000	155	155,000	155
Ordinary C2 shares of £0.001	20,000	20	20,000	20
Ordinary D shares of £0.001	129,764	130	129,764	130
Ordinary E shares of £0.003	20,000	60	20,000	60
Ordinary F shares of £0.000001	6,000,000	6	6,000,000	6
Ordinary G1 shares of £0.0001	109,091	11	109,091	11
Ordinary G2 shares of £0.0009	109,091	99	109,091	99
		-		-
	<u>7,098,579</u>	<u>1,036</u>	<u>7,098,579</u>	<u>1,036</u>

Share rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:

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

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

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

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

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

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

The Ordinary F shares (in aggregate) are entitled to receive by way of dividend an amount equal to 1% on any amounts paid by way of distribution on the B shares. They are entitled to 10.909% of proceeds on exit or liquidation between an equity value of £6m and £61m. The Ordinary F shares carry no voting rights.

The G1 Ordinary shares are entitled to a fixed cumulative dividend of 2% of the amount paid up on each share. The dividend is compounded annually and is repayable on the earliest of

- i) A return of assets on liquidation, capital reduction or other distribution of capital
- ii) A Share sale or listing; or
- iii) Each EBT PIK facility repayment date (84 months after issue of the facility)

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2022**

20 Share Capital (continued)

The cumulative rights were reflected as a liability in the entities financial statements. The shares were held by the EBT and as such the liability of £Nil (2021: £801,662) and cumulative preference dividend of £Nil (2021: £922,971) was offset with the EBT in the parent entity's and Group's financial statements. Saint Bidco Limited acquired the Treasury shares held by the EBT for £6,000,000 and settled £370,293 of the outstanding preference dividend.

The G1 Ordinary shares have no voting rights.

On a return of assets on liquidation or capital reduction or otherwise the surplus assets shall be applied in the following order of priority,

- 1) G1 Ordinary shares in aggregate £6,000,000
- 2) Other equity shares (except F and G2) up to £61,000,000
- 3) All share other than F and G1 over £61,000,000

The G2 Ordinary shares have one vote per share. They are entitled to 0% of proceeds on exit or liquidation between an equity value of £6m and £61m and pro rata above £61m. The G2 shares, other than the rights disclosed above, rank pari passu with other shareholders in their rights to dividends.

21. Reserves

Share premium

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Treasury share reserve

The Treasury share reserve consists of shares repurchased by the Group's Employee Benefit Trust.

At 31 March 2022, nil (2021: 109,091) ordinary G1 shares were held by the Employee Benefit Trust.

Profit and loss account

The profit and loss account contains the accumulated net losses incurred by the Group.

22. Commitments

Group

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

	2022 £	2021 £
Payments due:		
Not later than one year	1,105,127	1,111,602
Later than one year and not later than five years	1,740,249	1,586,824
Later than five years	447,667	172,718
	<u>3,293,043</u>	<u>3,623,458</u>

The Group and Company had no other off-balance sheet arrangement, capital or other commitments at 31 March 2022.

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2022**

23. Business combinations

Hello Telecom (UK) Limited

On 23rd March 2021, the group made a Recommended Cash Offer for the acquisition of the entire issued share capital of Hello Telecom (UK) Limited with the acquisition being declared unconditional on the 13th April 2021.

Hello Telecom (UK) Limited contributed revenue of £1,733,988 and £226,408 profit before tax to the Group's loss before taxation for the period between the date of acquisition and the balance sheet date.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below. At the date of acquisition no fair value adjustments were required.

Assets and liabilities acquired	Fair value
	£
Intangible assets	263,222
Property, plant & equipment	31,886
Current assets	1,772,686
Current liabilities	(342,805)
Non-current liabilities	
Total identifiable net assets	<u>1,724,990</u>
Goodwill	1,789,627
Total consideration	<u>3,514,618</u>
Satisfied by:	
Cash	2,750,126
Contingent consideration	667,686
Directly attributable costs	96,806
Total consideration transferred	<u>3,514,618</u>
Net cash outflow arising on acquisition:	
Cash consideration	2,750,126
Direct costs	96,806
Cash acquired	(1,428,091)
	<u>1,418,841</u>

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2022**

23. Business combinations (continued)

JMCP Holdings Limited

On 5th August 2021, Southern Communications Holdings acquired 100% of the issued share capital of JMCP Holdings Limited.

JMCP Holdings Limited Contributed revenue of £2,064,683 and £319,191 profit before tax to the Group's loss before taxation for the period between the date of acquisition and the balance sheet date.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below. At the date of acquisition no fair value adjustments were required.

Assets and liabilities acquired	Fair value £
Property, plant & equipment	26,443
Current assets	- 146,643
Current liabilities	(354,039)
Non-current liabilities	
Total identifiable net assets	<u>- 474,239</u>
Goodwill	4,294,006
Total consideration	<u>3,819,767</u>
Satisfied by:	
Cash	3,743,541
Contingent consideration	-
Directly attributable costs	76,226
Total consideration transferred	<u>3,819,767</u>
Net cash outflow arising on acquisition:	
Cash consideration	3,743,541
Direct costs	76,226
Cash acquired	(624,572)
	<u>3,195,195</u>

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2022**

23. Business combinations (continued)

Horizon Telecom Limited

On 17th December 2021, Southern Communications Holdings acquired 100% of the issued share capital of Horizon Telecom Limited.

Horizon Limited contributed revenue of £533,889 and £66,589 profit before tax to the Group's loss before taxation for the period between the date of acquisition and the balance sheet date.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below. At the date of acquisition no fair value adjustments were required.

Assets and liabilities acquired	Fair value
	£
Current assets	542,298
Current liabilities	(156,079)
Non-current liabilities	-
Total identifiable net assets	<u>386,219</u>
 Goodwill	 1,750,831
Total consideration	<u>2,137,050</u>
 Satisfied by:	
Cash	1,585,518
Contingent consideration	485,302
Directly attributable costs	66,230
Total consideration transferred	<u>2,137,050</u>
 Net cash outflow arising on acquisition:	
Cash consideration	1,585,518
Direct costs	66,230
Cash acquired	(319,418)
	<u>1,332,330</u>

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2022**

23. Business combinations (continued)

I.C.S. 1989 Limited

On 3rd December 2021, Southern Communications Holdings acquired 100% of the issued share capital of I.C.S. 1989 Limited.

I.C.S. 1989 Limited contributed revenue of £1,226,212 and £80,479 profit before tax to the Group's loss before taxation for the period between the date of acquisition and the balance sheet date.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below. At the date of acquisition no fair value adjustments were required.

Assets and liabilities acquired	Fair value
	£
Property, plant & equipment	78,004
Current assets	929,724
Current liabilities	(565,855)
Non-current liabilities	(151,873)
Total identifiable net assets	<u>290,000</u>
 Goodwill	 3,205,724
 Total consideration	 <u>3,495,724</u>
 Satisfied by:	
Cash	2,705,000
Contingent consideration	705,572
Directly attributable costs	85,152
 Total consideration transferred	 <u>3,495,724</u>
 Net cash outflow arising on acquisition:	
Cash consideration	2,705,000
Direct costs	85,152
Cash acquired	(256,602)
	<u>2,533,550</u>

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2022**

23. Business combinations (continued)

Storacall Technology Limited

On 15th March 2022, Southern Communications Holdings acquired 100% of the issued share capital of Storacall Technology.

Storacall Technology Limited contributed revenue of £1,050,353 and £135,704 profit before tax to the Group's loss before taxation for the period between the date of acquisition and the balance sheet date.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below. At the date of acquisition no fair value adjustments were required.

Assets and liabilities acquired	Fair value £
Property, plant & equipment	1,652,165
Current assets	2,265,239
Current liabilities	(3,700,704)
Non-current liabilities	
Total identifiable net assets	<u>216,700</u>
Goodwill	27,702,447
Total consideration	<u>27,919,147</u>
Satisfied by:	
Cash	5,703,039
Contingent consideration	21,933,360
Directly attributable costs	282,748
Total consideration transferred	<u>27,919,147</u>
Net cash outflow arising on acquisition:	
Cash consideration	5,703,039
Direct costs	282,748
Cash acquired	(534,245)
	<u>5,451,542</u>

Contingent consideration is dependent on future performance of each acquisition. Where the consideration has been paid after the year end and before the signing of the Group financial statements the actual payments have been included. Where the amounts are still outstanding, the amount recognised is based on management's best estimate of the amount payable.

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable, contractual and separable net assets at the date of acquisition. Goodwill represents the benefits that the Group expects to derive from customer lists, synergies, revenue growth, future market development and the assembled workforces of the acquired entities. These benefits are not recognised separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

Southern Communications Group Limited

**Notes to the Financial Statements
For the year ended 31 March 2022**

24. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £337,169 (2021: £458,351). Contributions totalling £139,363 (2021: £43,325) were payable to the fund at the balance sheet date.

25. Related party transactions

Investor shareholder loan notes and other transactions

During the year, fees and disbursements totalling £79,416 (2021 - £113,088) were paid to investor shareholders. The amount outstanding at year end was £Nil (2021: £Nil)

During the year, fees and disbursements totalling £40,000 (2021 - £40,000) were paid to Director shareholders. The amount outstanding at year end was £Nil (2021: £Nil)

During the year, interest totalling £17,324,417 was charged to the group from Ares Management Limited which became a related party on 10th December 2021. Interest and charges paid to Ares Management Limited during the year totalled £8,371,034. Ares Management Limited loaned Southern Communications Holdings Limited £14,000,000 during the year. The total amount outstanding at year end was £205,538,918.

26. Net debt reconciliation

	At 1 April 2021	Cash flows	New loans	Non-cash changes	At 31 March 2022
Cash at bank and in hand	11,700,096	377,793	-		12,077,889
Other loans due within one year					
Finance lease liabilities	(518,368)	(280,759)	-	-	(799,127)
Other loans	(185,846,629)	-	(10,672,750)	(9,019,539)	(205,538,918)
Total	(174,664,901)	97,034	(10,672,750)	(9,019,539)	(194,260,156)

Non-cash changes against other loans represent prepaid financing costs and effective interest rate adjustments.

Southern Communications Group Limited

Notes to the Financial Statements For the year ended 31 March 2022

27. Post balance sheet events

The Group acquired the entire issued share capital of Eurolink Connect Limited on 14th April 2022.

The Group acquired the entire issued share capital of Fuse 2 Communications Limited on 22nd June 2022.

The Group acquired the entire issued share capital of New Star Networks PTY on 27th June 2022.

On 4th August 2022, effective 31st March 2022, Southern Communications Holdings Ltd capped their SONIA rate at 2.5% on £110million of debt. This was arranged through Santander with a termination date of 30th September 2024.

The Group acquired the entire issued share capital of Channel comms Ltd, Channel Communications Services Ltd, and Channel IP Limited on 15th November 2022.

The Group acquired the entire issued share capital of 9 Dots Consultants Limited on 16th November 2022.

28. Contingent liabilities

Southern Communications Group Limited has provided an unlimited guarantee over all the liabilities of the following subsidiaries:

Direct Subsidiaries	Registered Number
Southern Communications Investments Limited	10053141
Indirect Subsidiaries	
Southern Communications Holdings Limited	08413599
Southern Business Technologies Limited	04323164
Efar Limited	03949538
Southern Communications Corporate Solutions Limited (formerly Switch Communications Limited)	02645307
Southern Communications Data Services Limited (formerly Link Connect Services Limited)	03255174
Et Al Innovations Limited	03718039
Dataphone Communications Limited	02346987
New Star Networks Limited	07143368
Commsplus Limited	02239626
DataKom Limited	06367634
Class Telecommunications Limited	04236743
Class Affinity Projects Limited	03956388
Pinnacle Telecom Wales Limited	03296134
Du Pre Limited	01520800
I.C.S 1989 Limited	02393007
TIC (The Independent choice) Limited	04470264
Horizon Telecom Limited	03638405
Hello Telecom (UK) Limited	04489059
JMCP Holdings Limited	11232498
Storacall Technology Limited	02578478

Five (2021 - three) of the above entities have net liabilities at the year-end totalling £67,623,277 (2021 - £42,085,271). All of the above entities have taken the audit exemption under s479A Companies act 2006.

The Company has entered into a cross guarantee arrangement to secure the loans of the Group. At the year end the total outstanding facilities were £205,637,196 (2020: £185,846,629).

29. Ultimate controlling party

As of 10th December 2021, the Company was acquired by Saint Bidco Ltd, incorporated in England and Wales and became the immediate parent company. The Ultimate parent Company is Saint Topco Ltd. The directors believe there to be no ultimate controlling party.

Southern Communications Group Limited

Notes to the Financial Statements For the year ended 31 March 2022

30. Subsidiary companies

	Principal Activity	Registered office	Principal place of business
Direct Subsidiaries			
Southern Communications Investments Limited	Holding company	Glebe Farm, Dummer	Glebe Farm, Dummer
Southern Communications EBT Newco Limited	Trustee company	Glebe Farm, Dummer	Glebe Farm, Dummer
Indirect Subsidiaries			
Southern Communications Holdings Limited	Holding company	Glebe Farm, Dummer	Glebe Farm, Dummer
Southern Communications Limited	Telecommunications and	Glebe Farm, Dummer	Glebe Farm, Dummer
Southern Communications Networks Limited	Dormant	Glebe Farm, Dummer	Glebe Farm, Dummer
Efar Limited	Telecommunications and	Glebe Farm, Dummer	Yeo Bank Business Park, Clevedon
Ascent Global Services Limited	Dormant	Glebe Farm, Dummer	12 - 16 Addiscombe Road, Croydon
Hullabaloo Communications Limited	Dormant	Glebe Farm, Dummer	Glebe Farm, Dummer
Atech Network Services Limited	Dormant	Glebe Farm, Dummer	12 - 16 Addiscombe Road, Croydon
Southern Communications Corporate Solutions Limited (formerly Switch Communications Limited)	Telecommunications and	Glebe Farm, Dummer	12 - 16 Addiscombe Road, Croydon
Converse Telecom Limited	Dormant	Glebe Farm, Dummer	Glebe Farm, Dummer
Integrated Business Systems Limited	Dormant	Glebe Farm, Dummer	12 - 16 Addiscombe Road, Croydon
Southern Communications Data Services Limited	Telecommunications and	Glebe Farm, Dummer	Glebe Farm, Dummer
DCS Voice and Vision Limited	Dormant	Glebe Farm, Dummer	Glebe Farm, Dummer
Verranti Limited	Dormant	Glebe Farm, Dummer	Glebe Farm, Dummer
Alliance Communications Solutions Limited	Dormant	Glebe Farm, Dummer	Glebe Farm, Dummer
Switch IP Limited	Dormant	Glebe Farm, Dummer	12 - 16 Addiscombe Road, Croydon
Southern Data Limited	Dormant	Glebe Farm, Dummer	Glebe Farm, Dummer
Pinnacle Managed Services Limited	Dormant	Glebe Farm, Dummer	4 Old Field Road, Bridgend
Extrasource Limited	Dormant	Glebe Farm, Dummer	Glebe Farm, Dummer
Pinnacle Telecom (Wales) Limited	Telecommunications and	Glebe Farm, Dummer	4 Old Field Road, Bridgend
3 Circles Communications Limited	Holding company	Ver House. 23-25 High Street, St Albans	Ver House. 23-25 High Street, St Albans
2 Circles Communications Limited	Telecommunications and	Ver House. 23-25 High Street, St Albans	Ver House. 23-25 High Street, St Albans
Et AI Innovations Limited	Telecommunications and	Glebe Farm, Dummer	Glebe Farm, Dummer
Dataphone Communications Limited	Telecommunications and	Glebe Farm, Dummer	Glebe Farm, Dummer
Dataphone Services Limited	Telecommunications and	Glebe Farm, Dummer	Glebe Farm, Dummer
New Star Networks Ltd	Telecommunications and	Glebe Farm, Dummer	12 - 16 Addiscombe Road, Croydon
DataKom Limited	Telecommunications and	Glebe Farm, Dummer	4 Old Field Road, Bridgend
Commsplus Limited	Telecommunications and related IT services	Glebe Farm, Dummer	51 Gazelle Road, Weston Super Mare, Somerset
Maxwell Grant Limited	Dormant	Ver House. 23-25 High Street, St Albans	Ver House. 23-25 High Street, St Albans
9Dots Holdings Limited	Dormant	Pavilion 5 Macmerrey Satellite Park, East Lothian	Ver House. 23-25 High Street, St Albans
9Dots Consulting Limited	Dormant	Pavilion 5 Macmerrey Satellite Park, East Lothian	Ver House. 23-25 High Street, St Albans
Privilege Consulting Limited	Dormant	Ver House. 23-25 High Street, St Albans	Ver House. 23-25 High Street, St Albans
Inveriam Communication Solutions Limited	Dormant	Norsea House Crawpeel Road, Aberdeen, Scotland	Ver House. 23-25 High Street, St Albans
Du Pre Limited	Telecommunications	Glebe Farm, Dummer	Glebe Farm, Dummer
Class Telecommunications Limited	Telecommunications	Glebe Farm, Dummer	Givons House, Leatherhead
Class Affinity Projects Limited	Telecommunications	Glebe Farm, Dummer	Givons House, Leatherhead
I.C.S 1989 Limited	Telecommunications	Glebe Farm, Dummer	3rd floor, 377-399 London Road
TIC (The Independent choice) Limited	Telecommunications	Glebe Farm, Dummer	Vulcan House, Pendeford Business
Horizon Telecom Limited	Telecommunications	Glebe Farm, Dummer	201 Cirencester Business Park Love
Hello Telecom (UK) Limited	Telecommunications	Glebe Farm, Dummer	19 Musters Road, West Bridgford Nottingham
JMCP Holdings Limited	Dormant	Glebe Farm, Dummer	1 George Street, Wolverhampton
Storacall Technology Limited	Telecommunications	Glebe Farm, Dummer	22 Riduna Park, Melton, Suffolk