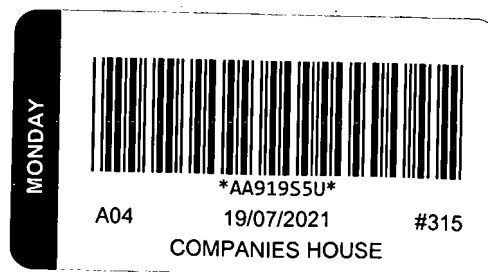


Company Registration No. 4298247 (England and Wales)

**SMOOTHWALL LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2020**



# SMOOTHWALL LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	G M Ell R Hurd-Wood J G Logan L J Stone
<b>Company number</b>	4298247
<b>Registered office</b>	Avalon House 1 Savannah Way Leeds Valley Park Leeds Yorkshire LS10 1AB
<b>Independent Auditor</b>	PricewaterhouseCoopers LLP Central Square 29 Wellington Street Leeds LS1 4DL

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# SMOOTHWALL LIMITED

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# SMOOTHWALL LIMITED

## STRATEGIC REPORT

### FOR THE PERIOD ENDED 31 MARCH 2020

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The directors present the audited consolidated financial statements of Smoothwall Limited and its subsidiaries ("the Group") for the 15-month period ended 31 March 2020.

#### Principal activities

The principal activity of the Group and Company is the development and sale of software for internet security.

#### Review of the business and key performance indicators

Smoothwall's strategy remains to build a strong resilient business, with increasing revenues and good cash generation. This requires us to provide the products, services and support that customers' need to meet their business requirements or legislative needs, thus driving customer satisfaction.

During the fifteen-month period total group revenue, on a cash basis, decreased to £15.1m (2018: £15.5m), with closing cash balances decreasing by 34%. On an accruals basis total group revenue increased to £16.6m (2018: £14.3m).

As in previous years, the Directors consider that the statutory financial statements do not accurately reflect the trading position of the company due to the different treatment of revenues and costs under UK accounting standards compared to a cash basis. All costs, including those of software development and sales commissions, are recognized in the profit and loss account as they are incurred. In contrast, sales of software licenses and support contracts, which constitute approximately 80% of the value of a typical contract, are credited to a deferred revenue balance sheet account. These revenues are then released to the profit and loss account in equal monthly instalments over the life of the contract. In 2020 the deferred revenue account declined during the period by £1.4 million (2018: £1.3 million) to £15.8 million (2018: £17.2 million) (see notes 18 and 19).

The directors manage the company on a cash accounting basis and thus we provide the following abbreviated non-statutory results compiled without application of our GAAP compliant revenue recognition policies:

**SMOOTHWALL LIMITED****STRATEGIC REPORT (CONTINUED)****FOR THE PERIOD ENDED 31 MARCH 2020****CONSOLIDATED PROFIT & LOSS**

<b>Non-GAAP (excluding deferred revenue) - Unaudited</b>				
	<b>GROUP</b>	<b>GROUP</b>	<b>LIMITED</b>	<b>LIMITED</b>
	<b>31-Mar-20</b>	<b>31-Dec-18</b>	<b>31-Mar-20</b>	<b>31-Dec-18</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Turnover excluding deferred and accrued	15,054,411	15,537,670	11,968,160	13,053,945
Cost of Sales	(4,159,599)	(2,847,874)	(2,909,954)	(1,978,139)
Gross Profit	10,894,812	12,689,796	9,058,206	11,075,806
Admin Expenses excluding share options	(15,682,627)	(10,620,098)	(12,667,348)	(8,637,902)
<b>Management Accounts - Operating Profit/(Loss)</b>	<b>(4,787,815)</b>	<b>2,069,698</b>	<b>(3,609,142)</b>	<b>2,437,904</b>
<i>Reconciliation to Statutory P&amp;L</i>				
Other Income	174,974	-	174,974	-
Deferred Revenue	1,455,379	(1,204,082)	1,208,566	(1,443,091)
Accrued Revenue	120,724	-	120,724	-
Exceptional Items	(17,713)	(1,992,803)	(17,712)	(1,992,803)
Share Option Charge	-	-	-	-
<b>Statutory Accounts Operating Loss</b>	<b>(3,054,450)</b>	<b>(1,127,187)</b>	<b>(2,122,589)</b>	<b>(997,990)</b>
EBITDA (using management accounts basis)	(2,678,294)	2,163,668	(3,342,972)	2,577,868
EBITDA %	-12.20%	14%	-18%	20%
Sales Growth % (12mth) – excluding exceptional	-3%	20%	-9%	29%
Closing Cash Balances	775,698	1,172,367	674,064	887,446

## **SMOOTHWALL LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

***FOR THE PERIOD ENDED 31 MARCH 2020***

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#### **COMMENTARY**

Costs in general have increased due to 2020 being an extended accounting period, 15-months, in comparison to the 12-month period in 2018. Several hosting costs and subscriptions have increased due to the increased usage of cloud-based products and technology and the development of such systems. Many one-off costs, such as professional and recruitment fees, have also been incurred as a result of the closure of the Fareham office in the prior financial year.

In early 2019 we continued the work that had begun in 2018 of upgrading our internal systems. During this period, we worked on migrating our CRM and Finance systems, as well as a variety of other internal systems to improve our management information and team productivity throughout the company. We had a very busy period in product development, releasing the first customer facing versions of Cloud Filter and Classroom Management to customers in March and April. At the same time, we worked on back-end re-engineering of our Monitor – Managed Service proposition.

In summer 2019 we acquired a business called Safeguard Software, one of the leading companies in the UK servicing the regulated market for record-keeping of safeguarding incidents in schools. Safeguard was rebranded as Smoothwall Record Manager and continued to be sold as a standalone product, though benefiting from a technical integration with our Monitoring service.

In late 2019 we started the work to be ready to remove a key supplier from our Monitoring service, pending the outcome of contract renegotiations. When those did not produce a satisfactory outcome, we were ready and able to migrate away, which began in early 2020.

Towards the end of 2019 we saw our opportunity growing in the US, as Cloud Filter and Classroom Management were increasingly capable of being deployed in a wide range of configurations to suit different customer environments. We commenced some additional sales hiring in the US towards the end of the calendar year to prepare for the 2020 selling season. We also moved offices to a fantastic new central city location in Charlotte, perfect for attracting more talent from around the area.

In early 2020 we were proud that one of our customers won the BETT Impact Award for their use of our MMS product, with a submission video that we shot and submitted for them. The customer talked about a 400% increase in serious incidents uncovered. We also won our second consecutive Best Companies Award, this time gaining Three Stars (considered "Exceptional") and a special award for the company that had risen the highest number of places in the rankings, of all entrants.

In March 2020, the signs of the pandemic across Europe were impossible to miss. We began preparations for working from home, conducting a trial-run and subsequently choosing to send staff home a few days before the government made it mandatory. In the last weeks of March, we spent considerable time making a variety of contingency plans, given the pandemic was new and nobody knew what would happen next.

**SMOOTHWALL LIMITED**

**STRATEGIC REPORT (CONTINUED)**

**FOR THE PERIOD ENDED 31 MARCH 2020**

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**Looking ahead**

The pandemic introduces significant uncertainties, so whilst we benefit from a customer base that is government-backed and relatively resilient (i.e. the customer base isn't going away, unlike in other industries like hospitality and travel), our customer base is itself dealing with a high degree of uncertainty (what do lock down rules mean for education) and needing to break new ground (remote learning and dealing with an explosion of devices). Therefore we expect our customers to be slow to adopt non-emergency new technologies in the early months of the pandemic. We remain confident that the sector will bounce back as schools, teachers and IT departments adapt and both teachers and students become accustomed to new ways of working. We are taking steps inside the business to reduce our cost base accordingly, via a combination of staff costs (e.g. reductions in force, government support for workers where possible, salary reductions) and non-staff costs (e.g. supplier negotiation or termination, consolidation, better contractual terms etc). We have a number of levers we can pull to adjust the cost base quickly and sustainably. In the medium term we expect to see demand for our services bounce back and even increase, as the proliferation of new devices will require appropriate filtering and monitoring, and therefore we remain confident in our core product offerings and business strategy.

**Post reporting date events**

On 12th June 2021, the Group completed the acquisition of Ensco 1227 Limited, itself the holding company for eSafe Global Limited, trading as eSafe. The acquisition was for 100% of the share capital of Ensco 1227 Limited for a total cash consideration of £3.8m. This was entirely funded through new Loan Notes issued by the company's immediate parent, Bidco Oasis Limited, to Tenzing.

Approved by the Board of Directors  
and signed on behalf of the Board

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.....  
**G M Eil**  
**Director**

Date: 17 July 2021

# SMOOTHWALL LIMITED

## DIRECTORS' REPORT

### FOR THE PERIOD ENDED 31 MARCH 2020

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The directors present their annual report and audited consolidated financial statements of the Group and Company for the period ended 31 March 2020.

#### Principal Risks and uncertainties

The Group and Company face a number of risks associated with day-to-day operations, technology and the execution of its strategy. The principal risks are identified below with appropriate mitigation.

##### Technology risks

Long-term revenue growth requires us to support the provision of a growing product portfolio. Whilst these products share many basic requirements such as ease of use and reliability, there are also some substantive differences. For example, Cloud Filter is no longer dependent on hardware in the customer's network, vs our on-premises Filtering product. Our customers' demands for safeguarding students are becoming more sophisticated and Smoothwall must continue to enhance its product set to properly address these needs.

Smoothwall has been early or first to market with technology responding to changes in the market, such as being one of the first to support the use of encrypted web traffic. With newer web and internet technologies on the horizon, our R&D team must deliver the innovation that will ensure that present and new customers continue to regard Smoothwall as the best choice for their security and web filtering needs.

##### Financial Risks

The Group's operations expose it to a variety of financial risks, including foreign exchange rate risk, credit risk and liquidity risk. The Group has controls in place that seek to minimise any potential adverse effects of such risks on the Group's financial performance. These controls are as follows:

##### Currency Risk/Foreign Exchange risk

Part of our currency risk is minimised by having a direct operation in our major market in the USA, therefore matching liabilities, and assets in the local currency.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the Company's local currency. Cash balances in the bank are monitored in line with future liabilities and exchange movements.

##### Credit risk

As a large proportion of the customer base is public sector, the risk of customers failing to pay their debts is low, as evidenced by our relatively low provision for bad debtors and limited experience of bad debts.

##### Liquidity risk

Being largely a software and services business, it is not capital intensive. We continue to address liquidity risks through a careful focus on the control of overheads, cash management, debtor and creditor control. The Group has maintained positive bank balances for many years.

##### Strategy execution risks

With differing needs across the various market segments that we serve, coupled with dynamic market conditions, the primary risk to strategy execution is for focus to be drawn from core products in an effort to try and deliver improvements for everyone. What is clear, however, is that as we continue to improve the ease of installation, usability, and supportability of our products, this provides an excellent foundation for growth.

## **SMOOTHWALL LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

#### **FOR THE PERIOD ENDED 31 MARCH 2020**

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#### **Human Resources Risks**

The skills, knowledge and experience of our people are the underpinning of our success. As a growing business it is unavoidable for this knowledge to be concentrated in a number of key individuals both on the technical and commercial sides of the organization.

Mitigation of these risks falls into two key areas. Firstly, by offering professional development to all members of the team, both to develop the management capabilities of more senior people and to share knowledge with junior members of the team. Secondly, by maintaining our monitoring of market salary and benefits packages, informing us of what we need to do in order to keep pace with movements as labour markets become more competitive.

#### **Results and dividends**

The results of the group for the 15-month period ended 31 March 2020 are shown on page 10. Consequently, the profit and loss account for the prior are not directly comparable to the current period.

No ordinary dividends were paid during the period. The directors do not recommend payment of a final dividend.

#### **Going concern**

These financial statements have been prepared under the assumption that the Company and Group will continue as a going concern. The Group is in a net current liability and net liability position as a result of its deferred income balances. The Group has a positive cash position both at the balance sheet date and at the date of signing, and the directors have prepared cash flow forecasts for the period to March 2024 that show that the Group will continue to generate positive cash flows over this period. These forecasts have been stress tested to include a severe but plausible downside scenario and even under this scenario, the entity is able to fund its ongoing trading liquidity requirements from its existing cash resources. There are therefore no concerns regarding the Group's ability to continue as a going concern.

In October 2017, Tenzing, one of the UK's leading mid-market technology investors, acquired a majority stake in the Group. As is normal course for a financial investor, Tenzing may realise their investment at any stage via a sale of the Group. As one of the leading providers of digital safety solutions in Education, the Group has received multiple approaches in past years, and more recently a number of offers from potential investors who are attracted to its high-quality products, geographical reach, people and growth prospects. These potential investors are seeking to acquire the Group, with a view to continuing to invest and grow the business.

At the time of signing the financial statements, discussions regarding a potential sale of the Company's ultimate parent, Topco Oasis Limited, are actively underway and whilst there can be no certainty that a sale goes ahead, a sale could potentially conclude in relatively short-order. Because not all future events or conditions can be predicted, the existing directors cannot fully assess whether the going concern basis of accounting will remain appropriate for the Company and Group after a potential sale. This indicates the existence of a material uncertainty which may cast significant doubt about the Company's and Group's ability to continue as a going concern beyond the date of sale. Were it not for the discussions with potential investors, then there would be no such uncertainty. The financial statements do not include adjustments that would result if the company was unable to continue as a going concern.

#### **Directors**

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

G M Eil

R Hurd-Wood

J G Logan

L J Stone

D G Hanley (Resigned 13 May 2020)

M S Randhawa (Resigned 17 April 2020)

## SMOOTHWALL LIMITED

### DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2020

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### Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently.
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements.
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the groups and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

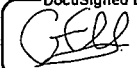
### Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

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

On behalf of the board

.....  
G M Eil  
Director

DocuSigned by:  
  
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Date: 17 July 2021

# ***Independent auditors' report to the members of Smoothwall Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Smoothwall Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2020 and of the group's loss and cash flows for the 15 month period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the group and company balance sheets as at 31 March 2020; the group profit and loss account and group statement of comprehensive income, the group statement of cash flows, and the group and company statements of changes in equity for the 15 month period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Material uncertainty related to going concern - Group and Company**

In forming our opinion on the group and company financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.4 to the financial statements concerning the group and company's ability to continue as a going concern. At the time of signing the financial statements, discussions regarding a potential sale of the Group's ultimate parent, Topco Oasis Limited, are actively underway and whilst there can be no certainty that a sale goes ahead, a sale could potentially conclude in relatively short order. Because not all future events or conditions can be predicted, the existing directors cannot fully assess whether the going concern basis of accounting will remain appropriate for the Group after a potential sale. This indicates the existence of a material uncertainty which may cast significant doubt about the Group and Company's ability to continue as a going concern beyond the date of sale. Were it not for the discussions with potential investors, then there would be no such uncertainty. The financial statements do not include adjustments that would result if the Group and Company were unable to continue as a going concern.

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### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

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Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' 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 auditors' 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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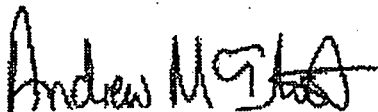
### **Other required reporting**

#### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Andrew McIntosh (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds

17 July 2021

# SMOOTHWALL LIMITED

## GROUP PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 MARCH 2020

		As at 31 March 2020	As at 31 December 2018
	Notes	£	£
<b>Turnover</b>	3	16,630,515	14,333,588
Cost of sales		(4,159,599)	(2,796,020)
<b>Gross profit</b>		12,470,916	11,537,568
Other Income		174,974	-
Administrative expenses		(15,682,627)	(10,671,952)
<b>Operating (loss)/profit before exceptional items</b>		(3,036,737)	865,616
Exceptional items	4	(17,713)	(1,992,803)
<b>Operating loss</b>	5	(3,054,450)	(1,127,187)
Interest payable and similar expenses	9	(5,119)	(18,576)
<b>Loss before taxation</b>		(3,059,569)	(1,145,763)
Tax on loss	10	(54,362)	-
<b>Loss for the financial period</b>		(3,113,931)	(1,145,763)

Loss for the financial period is all attributable to the owners of the parent company.

**SMOOTHWALL LIMITED****GROUP STATEMENT OF COMPREHENSIVE  
INCOME*****FOR THE PERIOD ENDED 31 MARCH 2020***

	As at 31 March 2020	As at 31 December 2018
	£	£
<b>Loss for the period</b>	(3,113,930)	(1,145,763)
<b>Other comprehensive expenses</b>		
Exchange difference on translation	(160,721)	(201,486)
<b>Total comprehensive expense for the period</b>	<u>(3,274,651)</u>	<u>(1,347,249)</u>

Total comprehensive expense for the period is all attributable to the owners of the parent company.

**SMOOTHWALL LIMITED****GROUP BALANCE SHEET****AS AT 31 MARCH 2020**

	Notes	As at 31-Mar-20		As at 31-Dec-18	
		£	£	£	£
<b>Fixed assets</b>					
Goodwill	11		49,906		
Other intangible assets	11		455,412		107,703
Total intangible assets			505,318		107,703
Tangible assets	12		215,207		241,457
			720,525		349,160
<b>Current assets</b>					
Inventories	15	484,181		371,167	
Debtors	16	3,943,881		7,194,126	
Cash at bank and in hand		775,698		1,172,367	
		5,203,760		8,737,660	
Creditors: amounts falling due within one year	17	(13,351,873)		(11,858,485)	
<b>Net current liabilities</b>			(8,148,113)		(3,120,825)
Total assets less current liabilities			(7,427,588)		(2,771,665)
Creditors: amounts falling due after more than one year	18		(7,510,974)		(8,901,045)
<b>Provisions for liabilities</b>					
Deferred taxation	19	(8,799)			
			(8,799)		
<b>Net liabilities</b>			(14,947,361)		(11,672,710)
<b>Capital and reserves</b>					
Called up share capital	22		99		99
Share premium account			977,225		977,225
Other reserves			24		24
Profit and loss account			(15,924,709)		(12,650,058)
<b>Total equity</b>			(14,947,361)		(11,672,710)

The financial statements were approved by the board of directors and authorized for issue on 17 July 2021 and are signed on its behalf by:

DocuSigned by:  
  
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G M Ell  
 Director

**SMOOTHWALL LIMITED****COMPANY BALANCE SHEET****AS AT 31 MARCH 2020**

	Notes	As at 31-Mar-20		As at 31-Dec-18	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	11		76,257		107,703
Tangible assets	12		126,788		232,825
Investments	13		703,888		203,887
			<u>906,933</u>		<u>544,415</u>
<b>Current assets</b>					
Inventories	15	455,023		334,219	
Debtors	16	6,222,609		9,275,856	
Cash at bank and in hand		674,064		887,446	
		<u>7,351,696</u>		<u>10,497,521</u>	
<b>Creditors: amounts falling due within one year</b>	17	<u>(11,482,418)</u>		<u>(10,753,091)</u>	
<b>Net current liabilities</b>			<u>(4,130,722)</u>		<u>(255,570)</u>
<b>Total assets less current liabilities</b>			<u>(3,223,789)</u>		<u>288,845</u>
<b>Creditors: amounts falling due after more than one year</b>	18		<u>(6,423,478)</u>		<u>(7,745,543)</u>
<b>Net liabilities</b>			<u><u>(9,647,267)</u></u>		<u><u>(7,456,698)</u></u>
<b>Capital and reserves</b>					
Called up share capital	22		99		99
Share premium account			977,225		977,225
Other reserves			24		24
Profit and loss account			<u>(10,624,615)</u>		<u>(8,434,046)</u>
<b>Total equity</b>			<u><u>(9,647,267)</u></u>		<u><u>(7,456,698)</u></u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £2,190,569 (2018 - £1,016,564 loss).

The financial statements were approved by the board of directors and authorized for issue on 17 July 2021 and are signed on its behalf by:

DocuSigned by:  
  
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G M Ell  
 Director

Company Registration No. 4298247

**SMOOTHWALL LIMITED****GROUP STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2020**

	Share capital	Share premium account	Other reserves	Profit and loss reserves	Total
	£	£	£	£	£
<b>Balance at 1 January 2018</b>	99	977,225	24	(11,302,809)	(10,325,461)
<b>Year ended 31 December 2018:</b>					(1,145,763)
Loss for the year	-	-	-	(1,145,763)	(1,145,763)
Other comprehensive expense: Exchange difference on translation	-	-	-	(201,486)	(201,486)
Total comprehensive expense for the year	-	-	-	(1,347,249)	(1,347,249)
<b>Balance at 31 December 2018</b>	99	977,225	24	(12,650,058)	(11,672,710)
<b>Period ended 31 March 2020:</b>					
Loss for the period	-	-	-	(3,113,930)	(3,113,930)
Other comprehensive expense: Exchange difference on translation	-	-	-	(160,721)	(160,721)
Total comprehensive expense for the period	-	-	-	(3,274,651)	(3,274,651)
<b>Balance at 31 March 2020</b>	99	977,225	24	(15,924,709)	(14,947,361)

**SMOOTHWALL LIMITED****COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2020**

	Share capital	Share premium account	Other reserves	Profit and loss reserves	Total
	£	£	£	£	£
<b>Balance at 1 January 2018</b>	99	977,225	24	(7,417,482)	(6,440,134)
<b>Year ended 31 December 2018:</b>					
Loss for the year	-	-	-	(1,016,564)	(1,016,564)
<b>Balance at 31 December 2018</b>	99	977,225	24	(8,434,046)	(7,456,698)
<b>Period ended 31 March 2020:</b>					
Loss for the period	-	-	-	(2,190,569)	(2,190,569)
<b>Balance at 31 March 2020</b>	99	977,225	24	(10,624,615)	(9,647,267)

**SMOOTHWALL LIMITED****GROUP STATEMENT OF CASH FLOWS****FOR THE PERIOD ENDED 31 MARCH 2020**

	Notes	Period ended 31-Mar-20		Period ended 31-Dec-18	
		£	£	£	£
<b>Cash flows from operating activities</b>					
Cash generated from/(absorbed by) operations	28	159,964		(1,161,086)	
Interest paid		-		-	
Income taxes refunded/(paid)		160,406		(13,195)	
<b>Net cash inflow/(outflow) from operating activities</b>		<b>320,370</b>		<b>(1,174,281)</b>	
<b>Investing activities</b>					
Purchase of business		(426,592)		-	
Purchase of intangible assets		(25,202)		-	
Purchase of tangible fixed assets		(210,511)		(332,274)	
<b>Net cash used in investing activities</b>		<b>(662,305)</b>		<b>(332,274)</b>	
<b>Financing activities</b>					
Proceeds from borrowings		-		150,000	
Repayment of borrowings		(47,055)		(3,126)	
Interest paid		(5,119)		(18,576)	
<b>Net cash (used in)/generated from financing activities</b>		<b>(52,174)</b>		<b>128,298</b>	
<b>Net decrease in cash and cash equivalents</b>		<b>(394,109)</b>		<b>(1,378,257)</b>	
Cash and cash equivalents at beginning of period		1,172,367		2,525,963	
Effect of foreign exchange rates		(2,560)		24,661	
<b>Cash and cash equivalents at end of period</b>		<b>775,698</b>		<b>1,172,367</b>	

# SMOOTHWALL LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

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### 1 Accounting policies

#### Company information

Smoothwall Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Avalon House, 1 Savannah Way, Leeds Valley Park, Leeds, Yorkshire, LS10 1AB.

The group consists of Smoothwall Limited and all of its subsidiaries.

#### 1.1 Accounting convention

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

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

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: The disclosure requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b), and 12.29A;
- Section 26 'Share based Payment': Share based payment arrangements required under FRS 102 paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

#### 1.2 Business combinations

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued, and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognized as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognized for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognized on differences between the value of assets (other than goodwill) and liabilities recognized in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognized is adjusted against goodwill or negative goodwill.

# SMOOTHWALL LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 31 MARCH 2020

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#### 1 Accounting policies

(Continued)

##### 1.3 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company Smoothwall Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 March 2020. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated on consolidation. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiaries are consolidated in the group's financial statements from the date that control commences until the date that control ceases.

Entities in which the group holds an interest, and which are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates.

Investments in joint ventures and associates are carried in the group balance sheet at cost plus post-acquisition changes in the group's share of the net assets of the entity, less any impairment in value. The carrying values of investments in joint ventures and associates include acquired goodwill.

If the group's share of losses in a joint venture or associate equals or exceeds its investment in the joint venture or associate, the group does not recognize further losses unless it has incurred obligations to do so or has made payments on behalf of the joint venture or associate.

Unrealized gains arising from transactions with joint ventures and associates are eliminated to the extent of the group's interest in the entity.

##### 1.4 Going concern

These financial statements have been prepared under the assumption that the Company and Group will continue as a going concern. The Group is in a net current liability and net liability position as a result of its deferred income balances. The Group has a positive cash position both at the balance sheet date and at the date of signing, and the directors have prepared cash flow forecasts for the period to March 2024 that show that the Group will continue to generate positive cash flows over this period. These forecasts have been stress tested to include a severe but plausible downside scenario and even under this scenario, the entity is able to fund its ongoing trading liquidity requirements from its existing cash resources. There are therefore no concerns regarding the Group's ability to continue as a going concern.

In October 2017, Tenzing, one of the UK's leading mid-market technology investors, acquired a majority stake in the Group. As is normal course for a financial investor, Tenzing may realise their investment at any stage via a sale of the Group. As one of the leading providers of digital safety solutions in Education, the Group has received multiple approaches in past years, and more recently a number of offers from potential investors who are attracted to its high-quality products, geographical reach, people and growth prospects. These potential investors are seeking to acquire the Group, with a view to continuing to invest and grow the business.

At the time of signing the financial statements, discussions regarding a potential sale of the Company's ultimate parent, Topco Oasis Limited, are actively underway and whilst there can be no certainty that a sale goes ahead, a sale could potentially conclude in relatively short-order. Because not all future events or conditions will be predicted, the existing directors cannot fully assess whether the going concern basis of accounting will remain appropriate for the Company and Group after a potential sale. This indicates the existence of a material uncertainty which may cast significant doubt about the Company's and Group's

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# SMOOTHWALL LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2020

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### 1 Accounting policies

(Continued)

ability to continue as a going concern beyond the date of sale. Were it not for the discussions with potential investors, then there would be no such uncertainty. The financial statements do not include adjustments that would result if the company was unable to continue as a going concern.

#### 1.5 Reporting period

The company year-end has been extended by 3 months, therefore the financial statements presented are for the 15-month period from 1 January 2019. The results of the group for the 15-month period ended 31 March 2020 are shown on page 10. Consequently, the profit and loss account for the prior period are not directly comparable to the current period.

#### 1.6 Turnover

Turnover is recognized at the fair value of the consideration received or receivable for goods and services provided in the normal course of business and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

**SMOOTHWALL LIMITED****NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)****FOR THE PERIOD ENDED 31 MARCH 2020****1 Accounting policies****(Continued)**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods); the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**1.7 Research and development expenditure**

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalized to the extent that the technical, commercial and financial feasibility can be demonstrated.

**1.8 Intangible fixed assets - goodwill**

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognized as an asset at cost and is subsequently measured at cost less accumulated amortization and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortized on a systematic basis over its expected life, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

**1.9 Intangible fixed assets other than goodwill**

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Trademarks	Straight line method over 3 years
Brand	Straight line method over 6 years
Computer Software and Technology	Straight line method over 2.5 - 3 years
Customer lists	Straight line method over 11 years

**1.10 Tangible fixed assets**

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	Straight line method over 3 years
Fixtures and fittings	Straight line method over 3 years
Office and computer equipment	Straight line method over 3 years

# SMOOTHWALL LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 31 MARCH 2020

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#### 1 Accounting policies

(Continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

##### 1.11 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

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

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate using the equity method. Any difference between the cost of acquisition and the share of the fair value of the net identifiable assets of the associate on acquisition is recognised as goodwill. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

In the parent company financial statements, investments in associates are accounted for at cost less impairment.

Entities in which the group has a long-term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

##### 1.12 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

# SMOOTHWALL LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2020

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### 1 Accounting policies

(Continued)

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

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

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.13 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Inventories held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of inventories over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

#### 1.14 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.15 Financial instruments

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

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

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 settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

# SMOOTHWALL LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 31 MARCH 2020

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#### 1 Accounting policies

(Continued)

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **Impairment of financial assets**

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

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the 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.

##### **Derecognition of financial assets**

Financial assets are derecognized only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

##### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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

# SMOOTHWALL LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2020

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### 1 Accounting policies

(Continued)

#### **Other financial liabilities**

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

#### 1.16 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

#### 1.17 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

##### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

## **SMOOTHWALL LIMITED**

### **NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE PERIOD ENDED 31 MARCH 2020**

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#### **1 Accounting policies**

**(Continued)**

##### **1.18 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

##### **1.19 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

##### **1.20 Leases**

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

##### **1.21 Foreign exchange**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

##### **1.22 Share based payments**

The Company runs an EMI Share Option Scheme for eligible employees to acquire shares of the Company. The EMI shares can only be vested on a sale of the company, and employees are required to remain in employment with the Group until exercise otherwise the awards lapse. The fair value of share options is charged to the statement of comprehensive income based upon their fair value at the date of grant. The charge is recognised evenly over the vesting period of the options.

The fair values are calculated using an appropriate option pricing model, and the statement of comprehensive income charge is adjusted to reflect the expected numbers of options that will vest.

##### **1.23 Exceptional items**

The Group classifies certain one-off charges or credits that have a material impact on the Group's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Group.

## SMOOTHWALL LIMITED

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE PERIOD ENDED 31 MARCH 2020

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#### 2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### **Useful economic lives of tangible and intangible assets**

The annual depreciation and amortisation charges for the tangible and intangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and, for tangible assets, the physical condition of the assets.

#### **Deferred revenue**

The typical contract length for Smoothwall products is three years (for the installed base), albeit with customers having contracts ranging from 1 to 6 years plus deferred revenue is calculated by allocating the fair value of the products after discount and apportioning over the license term. It is assumed that the fair value of each element can be estimated reliably. Appliance and implementation sales are recognised when delivered.

The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent with the application of the revenue recognition policy affect the amounts reported in the financial statements. If different assumptions were used, it is possible that different amounts would be reported in the financial statements.

In the opinion of the directors there are no other critical judgements taken in applying the company's accounting policies.

**SMOOTHWALL LIMITED****NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)****FOR THE PERIOD ENDED 31 MARCH 2020**

3	Turnover	Period ended 31 March 2020	Period ended 31 December 2018
	Turnover analysed by class of business	£	£
	Sale of Goods	1,941,794	3,829,873
	Provision of Services	14,688,721	10,503,715
		16,630,515	14,333,588
	Turnover analysed by geographical market	£	£
	UK	12,703,363	10,808,260
	USA	3,190,581	2,800,698
	Other	736,571	724,630
		16,630,515	14,333,588
	4	Period ended 31 March 2020	Period ended 31 December 2018
	Exceptional items	£	£
	<b>Expenditure</b>		
	Redundancy costs	-	309,416
	Duplicate running costs	17,713	1,143,634
	Onerous lease provision	-	406,426
	Recruitment costs	-	133,327
	Professional fees	-	-
		17,713	1,992,803

Exceptional items arose during the year in due to the duplicate office space running costs. A total of £17,713 was incurred in relation to the closure of the Fareham office.

**SMOOTHWALL LIMITED****NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)****FOR THE PERIOD ENDED 31 MARCH 2020****5 Operating loss**

	<b>2020</b>	<b>2018</b>
	£	£
Operating loss for the period is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(2,852)	(128,969)
Depreciation of owned tangible fixed assets	236,761	145,386
Amortisation of intangible assets	126,946	436
Cost of inventory recognised as an expense	2,391,312	1,810,695
Directors' Remuneration (Note 8)	906,227	592,415
Compensation for loss of office (Note 8)	-	213,340
Services provided by the Company's auditor:		
Fees payable for the audit	100,000	41,400
Fees payable for other services	13,200	21,000
Onerous lease provision	-	406,426
Operating lease charges	96,149	202,950

**6 Auditors remuneration**

	<b>Period ended 31 December 2020</b>	<b>Period ended 31 December 2018</b>
	£	£
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	100,000	41,400
<b>For other services</b>		
Tax compliance	13,200	21,000
	<u>113,200</u>	<u>62,400</u>

**SMOOTHWALL LIMITED****NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)****FOR THE PERIOD ENDED 31 MARCH 2020****7 Employees**

The average monthly number of persons (including directors) employed by the group and company during the period was:

Group 2020 Number	2018 Number	Company 2020 Number	2018 Number
126	128	108	110

Their aggregate remuneration comprised:

	Group 2020 £	2018 £	Company 2020 £	2018 £
Wages and salaries	8,807,452	8,217,170	6,951,248	6,975,785
Social security costs	908,001	950,786	780,798	757,005
Other pension costs	230,313	176,296	222,489	123,091
Compensation for loss of office	-	213,340	-	213,340
	<u>9,945,766</u>	<u>9,557,592</u>	<u>7,954,535</u>	<u>8,069,221</u>

**8 Directors' remuneration**

	2020 £	2018 £
Remuneration for qualifying services	877,862	576,877
Company pension contributions to defined contribution schemes	28,365	15,538
Compensation for loss of office	-	213,340
	<u>906,227</u>	<u>805,755</u>

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2020 £	2018 £
Remuneration for qualifying services	308,838	140,155
Company pension contributions to defined contribution schemes	12,500	4,167
	<u>321,338</u>	<u>144,322</u>

**SMOOTHWALL LIMITED****NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)****FOR THE PERIOD ENDED 31 MARCH 2020****9 Interest payable and similar expenses**

	2020	2018
	£	£
Interest on bank overdrafts and loans	(23)	-
Other interest on financial liabilities	-	2,231
Other interest	<u>5,142</u>	<u>16,345</u>
Total finance costs	<u><u>5,119</u></u>	<u><u>18,576</u></u>

**10 Tax on loss**

	2020	2018
	£	£
<b>Current tax</b>		
UK corporation tax on profits for the current period	65,556	<u>31,638</u>
Total current tax		<u>31,638</u>
<b>Deferred tax</b>	(11,194)	(31,638)
Origination and reversal of timing differences	<u><u>54,362</u></u>	<u><u>-</u></u>
Total tax credit		<u><u>-</u></u>

The actual charge for the period can be reconciled to the expected credit for the period based on the profit or loss and the standard rate of tax as follows:

	2020	2018
	£	£
Loss before taxation	<u>(3,059,569)</u>	<u>(1,145,763)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(581,318)	(217,695)
Tax effect of expenses that are not deductible in determining taxable profit	250,159	147,105
Other permanent differences	162	
Deferred tax not provided	516,798	
Origination and reversal of timing differences	(11,194)	
Tax rate changes	<u>(120,245)</u>	<u>70,590</u>
Total Tax Charge	<u><u>54,362</u></u>	<u><u>-</u></u>

**Factors that may affect future tax charges**

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. The UK deferred tax asset as at 31 March 2020 was calculated at 19% (2018 – 17%).

**SMOOTHWALL LIMITED****NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)****FOR THE PERIOD ENDED 31 MARCH 2020**

11

## Intangible assets

Group	Goodwill	Trademarks	Brand	Technology	Customer lists	Computer Software	Total
	Cost	£	£	£	£	£	£
At 1 January 2019	-	8,738	-	-	-	260,389	269,127
Additions - separately acquired	-	170	-	-	-	25,032	25,202
Additions - business combinations	<u>54,359</u>	<u>-</u>	<u>17,000</u>	<u>125,000</u>	<u>303,000</u>	<u>-</u>	<u>499,359</u>
At 31 March 2020	54,359	8,908	17,000	125,000	303,000	285,421	793,688
Accumulated amortisation and impairment							
At 1 January 2019	-	6,377	-	-	-	155,047	161,424
Amortisation charged for the financial period	<u>4,453</u>	<u>2,531</u>	<u>2,321</u>	<u>40,959</u>	<u>22,565</u>	<u>54,117</u>	<u>126,946</u>
At 31 March 2020	4,453	8,908	2,321	40,959	22,565	209,164	288,370
Carrying amount							
At 31 March 2020	<u>49,906</u>	<u>2,361</u>	<u>14,679</u>	<u>84,041</u>	<u>280,435</u>	<u>76,257</u>	<u>505,318</u>
At 31 December 2018						105,342	107,702
<b>Company</b>							
					Trademarks	Computer Software	Total
<b>Cost</b>					£	£	£
At 1 January 2019					8,738	260,389	269,127
Additions					<u>170</u>	<u>25,032</u>	<u>25,202</u>
At 31 March 2020					8,908	285,421	294,329
Accumulated amortisation and impairment							
At 1 January 2019					6,377	155,047	161,424
Amortisation charged for the financial period					<u>2,531</u>	<u>54,117</u>	<u>56,648</u>
At 31 March 2020					8,908	209,164	218,072
Carrying amount							
At 31 March 2020					-	76,257	76,257
At 31 December 2018					2,361	105,342	107,702

Computer software cost of £260,389 (2017: £161,130) and accumulated amortisation of £155,047 (2017: £151,417) has been reclassified from property, plant and equipment to intangible assets to better reflect the nature of the assets

**SMOOTHWALL LIMITED****NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)****FOR THE PERIOD ENDED 31 MARCH 2020****12 Tangible fixed assets**

<b>Group</b>	<b>Leasehold improvements</b>	<b>Fixtures and fittings</b>	<b>Office and computer equipment</b>	<b>Total</b>
<b>Cost</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2019	108,550	329,194	964,635	1,402,379
Additions – Separately Acquired	-	124,723	85,788	210,511
<b>At 31 March 2020</b>	<b>108,550</b>	<b>453,917</b>	<b>1,050,423</b>	<b>1,612,890</b>
<b>Amortisation and impairment</b>				
At 1 January 2019	13,164	315,736	832,022	1,160,922
Depreciation charged in the period	95,386	36,697	104,678	236,761
<b>At 31 March 2020</b>	<b>108,550</b>	<b>352,433</b>	<b>936,700</b>	<b>1,397,683</b>
<b>Carrying amount</b>				
At 31 March 2020	-	101,484	113,723	215,207
At 31 December 2018	95,386	13,458	132,613	241,457
<b>Company</b>				
	<b>Leasehold improvements</b>	<b>Fixtures and fittings</b>	<b>Office and computer equipment</b>	<b>Total</b>
<b>Cost</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2019	108,550	273,687	853,797	1,236,034
Additions	-	41,157	62,322	103,479
<b>At 31 March 2020</b>	<b>108,550</b>	<b>314,844</b>	<b>916,119</b>	<b>1,339,513</b>
<b>Amortisation and impairment</b>				
At 1 January 2019	13,164	260,230	729,815	1,003,209
Depreciation charged in the period	95,386	26,216	87,913	209,515
<b>At 31 March 2020</b>	<b>108,550</b>	<b>286,446</b>	<b>817,728</b>	<b>1,212,724</b>
<b>Carrying amount</b>				
At 31 March 2020	-	28,398	98,391	126,788
At 31 December 2018	95,386	13,457	123,982	232,825

Computer software cost of £260,389 (2017: £161,130) and accumulated amortisation of £155,047 (2017: £151,417) has been reclassified from property, plant and equipment to intangible assets to better reflect the nature of the assets.

**SMOOTHWALL LIMITED****NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)****FOR THE PERIOD ENDED 31 MARCH 2020****13 Investments**

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2018</b>	<b>2020</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Investments in subsidiaries	-	-	703,888	203,887

**Movements in fixed asset investments****Company**

**Shares in subsidiaries**  
**£**

**Cost or valuation**

At 1 January 2019

203,887

Additions

500,000

At 31 March 2020

703,887

Carrying amount

At 31 March 2020

703,888

At 31 December 2018

203,887

The company owns the entire share capital of Smoothwall Inc, a company registered at 1435 West Morehead Street, Suite 125, Charlotte, North Carolina 28208, USA whose principle activity is the sale of the software for internet security.

On 6 June 2019, the Group acquired control of Safeguard Software Limited, a company registered at Avalon House, 1 Savannah Way, Leeds, LS10 1AB, UK, whose principal activity is the sale of software for internet security, through the purchase of 100% of the assets. Refer to note 23 for details of the new acquisition in the year.

Following a review of the carrying value of the investments, the directors are confident that the net book value of the investments are supported by future cash flows on forecasts for 2020 onwards.

**SMOOTHWALL LIMITED****NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)****FOR THE PERIOD ENDED 31 MARCH 2020****14 Subsidiaries**

Details of the company's subsidiaries at 31 March 2020 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Smoothwall Inc	USA	Ordinary	100.00
Safeguard Software Limited	England and Wales	Ordinary	100.00

**15 Inventories**

	Group		Company	
	2020 £	2018 £	2020 £	2018 £
Finished goods and goods for resale	484,181	371,167	455,023	334,219

There is no significant difference between the replacement cost of finished goods and their carrying value.

Inventories are stated after provision of £nil (2018: £170,172)

**16 Debtors**

	Group		Company	
	2020 £	2018 £	2020 £	2018 £
<b>Amounts falling due within one year:</b>				
Trade debtors	2,820,645	6,326,298	2,228,534	5,959,361
Corporation tax recoverable	27,876	265,315	4,085	265,315
Amounts owed by group undertakings	333,757	213,159	3,272,074	2,689,335
Other debtors	191,744	12,653	191,744	11,477
Prepayments and accrued income	569,859	314,959	526,172	288,626
	3,943,881	7,132,384	6,222,609	9,214,114
Deferred tax asset (note 19)	-	61,742	61,742	61,742
	3,943,881	7,194,126	6,284,351	9,275,856

**17 Creditors: amounts falling due within one year**

	Notes	Group		Company	
		2020 £	2018 £	2020 £	2018 £
Trade creditors		1,644,399	1,330,348	1,403,414	1,242,948
Amounts owed to group undertakings		986,309	76,828	986,309	76,828
Other taxation and social security		544,318	162,943	485,984	162,943
Deferred income	20	8,386,535	8,445,067	7,086,107	7,426,901
Other creditors		117,565	1,124,697	115,542	1,158,235
Accruals		1,672,747	718,602	1,405,062	685,236
		13,351,873	11,858,485	11,482,418	10,753,091
Deferred tax liability	19	8,799	-	-	-
		13,360,672	11,858,485	11,482,418	10,753,091

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

**SMOOTHWALL LIMITED****NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)****FOR THE PERIOD ENDED 31 MARCH 2020****18 Creditors: amounts falling due after more than one year**

	Notes	Group 2020 £	2018 £	Company 2020 £	2018 £
Deferred income	20	7,448,648	8,754,171	6,361,158	7,598,669
Other creditors		62,320	146,874	62,320	146,874
		<u>7,510,974</u>	<u>8,901,045</u>	<u>6,423,478</u>	<u>7,745,543</u>

**19 Deferred taxation**

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

Group	Liabilities 2020 £	Liabilities 2018 £	Assets 2020 £	Assets 2018 £
Accelerated capital allowances	-	-	-	-
Tax losses	-	-	61,742	61,742
Deferred tax on acquired intangibles	70,541	-	-	-
	<u>70,541</u>	<u>-</u>	<u>61,742</u>	<u>61,742</u>

Company	Liabilities 2020 £	Liabilities 2018 £	Assets 2020 £	Assets 2018 £
Tax losses	-	-	61,742	61,742

**Movements in the period:**

	Group 2020 £	Company 2020 £
Asset at 1 January 2019	(61,742)	(61,742)
Deferred tax on acquired intangibles at acquisition	81,734	-
Charge to profit or loss	(11,193)	-
Asset at 31 March 2020	8,799	(61,742)

The deferred tax asset set out above is expected to reverse within 12 months and relates to the utilisation of tax losses against future expected profits of the same period. The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

The company has unrecognised deferred tax assets of £1,476,147 (2018: £987,823).

**SMOOTHWALL LIMITED****NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)****FOR THE PERIOD ENDED 31 MARCH 2020****20 Deferred income**

	<b>Group 2020</b>	<b>2018</b>	<b>Company 2020</b>	<b>2018</b>
	£	£	£	£
Other deferred income	15,835,183	17,199,238	13,447,265	15,025,570

Deferred income is included in the financial statements as follows:

Current liabilities	8,386,534	8,445,067	7,086,107	7,426,901
Non-current liabilities	7,448,649	8,754,171	6,361,158	7,598,669
	<u>15,835,183</u>	<u>17,199,238</u>	<u>13,447,265</u>	<u>15,025,570</u>

**21 Retirement benefit schemes**

	<b>2020</b>	<b>2018</b>
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>230,313</u>	<u>123,091</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund. Pension contributions of £60,592 relating to the year ended 31 March 2020 were unpaid at the year end.

**22 Called up share capital**

	<b>2020</b>	<b>2018</b>	<b>2020</b>	<b>2018</b>
	Number	Number	£	£
Ordinary share capital Issued and fully paid Ordinary of 1p each	<u>9,900</u>	<u>9,900</u>	<u>99</u>	<u>99</u>

**SMOOTHWALL LIMITED****NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)****FOR THE PERIOD ENDED 31 MARCH 2020****23 Acquisition of a business**

On 6 June 2019 the group acquired 100% of the issued capital of Safeguard Software Limited.

<b>Net assets acquired</b>	<b>Book Value</b>	<b>Adjustments</b>	<b>Fair Value</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Intangible assets	-	445,000	445,000
Trade and other receivables	104,120	-	104,120
Cash and cash equivalents	73,408	-	73,408
Trade and other payables	(95,153)	-	(95,153)
Deferred tax	(850)	(80,884)	(81,734)
	<u>81,525</u>	<u>364,116</u>	<u>445,641</u>
Goodwill			54,359
Total consideration			<u>500,000</u>
The consideration was satisfied by:			<b>£</b>
Cash			<u>500,000</u>

Contribution by the acquired business for the reporting period included in the group statement of comprehensive income since acquisition:

Turnover	43,195
Profit after tax	<u>48,082</u>

**24 Operating lease commitments****Lessee**

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2018</b>	<b>2020</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Within one year	144,095	143,710	66,731	143,710
Between one and five years	342,631	95,807	9,260	95,807
Greater than five years	<u>158,452</u>			
	<u>645,178</u>	<u>239,517</u>	<u>75,991</u>	<u>239,517</u>

**SMOOTHWALL LIMITED****NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)****FOR THE PERIOD ENDED 31 MARCH 2020****25 Onerous Lease Provision**

Where leasehold properties become vacant, the Group provides for all costs, net of anticipated income, to the end of the lease or the anticipated date of the disposal or sublease. A provision of £406,426 was created in the prior year for the lease of the Fareham office, of which £33,365 remains at the current period end.

**26 Related party transactions**

The Company is a wholly owned subsidiary of Topco Oasis Limited, the Group financial statements of which are publicly available. Accordingly, the Company has taken advantage of the exemption in FRS 102 from disclosing transactions with Topco Oasis Limited and its wholly owned subsidiaries.

**27 Controlling party**

The ultimate controlling party is Tenzing Private Equity LLP, through its ownership of the parent company Topco Oasis Limited, a private company limited by shares. The immediate parent company is Bidco Oasis which is 100% controlled by Topco Oasis Limited.

**28 Cash generated from/(absorbed by) group operations**

	2020 £	2018 £
Loss for the period after tax	(3,113,931)	(1,145,763)
<b>Adjustments for:</b>		
Taxation charged	54,362	-
Finance costs	5,119	18,576
Amortisation and impairment of intangible assets	126,946	436
Depreciation and impairment of tangible fixed assets	236,761	145,386
<b>Movements in working capital:</b>		
(Increase)/decrease in inventories	(107,600)	172,819
Decrease/(increase) in debtors	2,900,449	(1,223,200)
Increase in creditors	57,858	870,659
<b>Cash generated from/(absorbed by) operations</b>	<u>159,964</u>	<u>(1,161,087)</u>
Per cash flow statement page	<u>159,964</u>	<u>(1,161,087)</u>

**29 Analysis of changes in net funds - group**

	1 January 2019 £	Cash flows £	Exchange rate movements £	31 March 2020 £
Cash at bank and in hand	<u>1,172,367</u>	<u>(394,109)</u>	<u>(2,560)</u>	<u>775,698</u>