

Registered number: 07649324

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**LIVINGSTONE HOLDINGS LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**



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**LIVINGSTONE HOLDINGS LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	Emanuel Mond Simon Leuty
<b>Registered number</b>	07649324
<b>Registered office</b>	Kilbrook House Rose Kiln Lane Reading Berkshire RG2 0BY
<b>Independent auditor</b>	Nexia Smith & Williamson Chartered Accountants & Statutory Auditor Onslow House Onslow Street Guildford Surrey GU1 4TL

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LIVINGSTONE HOLDINGS LIMITED

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## LIVINGSTONE HOLDINGS LIMITED

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### GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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#### Introduction

The directors present their strategic report for the period ending 31 December 2018.

#### Principal Activities

The principal activity of the company is that of an intermediate holding company for a group providing software asset management technology and services.

The business of the subsidiary trading companies is focused on delivering software asset management ("SAM") services supported by proprietary technology.

#### Results and financial position

The group's profit before taxation was £3,463,000. The resulting financial position at 31 December 2018 is set out on page 10.

#### Business review

The business of Livingstone is the provision of software asset management services to large and complex organisations, to enable them to reduce their software licensing costs and risks. Our global team of SAM professionals and software licensing experts, backed-up with our own in-house optimisation technologies, help organisations with limited or no in-house SAM resources overcome skills shortages and tool gaps, delivering timely, reliable and actionable SAM intelligence that drives bottom-line savings.

Livingstone's managed services are designed to increase the cost-efficiency, speed of delivery and success of managing software across all platforms: whether on-premise, migrating to the cloud or in hybrid cloud environments. Optimisation, audit defence and cloud migration projects are provided for all major vendors, including Microsoft, Oracle, IBM, VMware, and SAP.

Livingstone's zero-friction approach to optimizing software licensing encompasses a unique blend of technologies, people and processes in a single proposition that delivers fast and significant results for customer organizations.

The company and group intends to continue to grow its software asset management business through a combination of increasing the range of services it offers to current and new clients and seeking new acquisition opportunities to complement and enhance the current service offering. To this end, after the balance sheet date, further funding was provided by the parent company to complete the acquisition of Derive Logic Limited in April 2019. Derive Logic provides IT asset management services.

In addition, on 29 March 2019, the group also acquired the SAM business assets of New York based Siwel Consulting, Inc. The acquisition was financed out of free cash balances.

The group operates out of its headquarters in Reading, and since the acquisitions completed in 2019 also has facilities in Cirencester and York in the UK and New York in the USA.

#### Future developments

The group intends to maintain growth of both revenue and earnings into the future both organically and through further acquisition, to expand the group's offerings into new geographic areas and products and technologies.

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## LIVINGSTONE HOLDINGS LIMITED

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### GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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#### Principal risks and uncertainties

The directors consider that the main risks facing the business are;

- As the group is headquartered in the UK, it is exposed to geo-political and macroeconomic factors that have become more prevalent recently. BREXIT is one of the causes driving volatility and uncertainty in the market in which we operate. Despite the impact BREXIT is having on the UK economy, the group has a global customer base which provides solid diversification and protection against any significant contradictions in the UK market. Additionally, as most of our revenue comes from recurring managed service contracts, the group has good visibility and confidence in its growth outlook.
- The group is exposed to a technology risk resulting from fast moving IT developments and therefore it is important to focus on the latest technology, provide sufficient training to our consultants and continually invest in our own technology in order to remain at the forefront of innovation in key areas.
- Managing the growth of the business and the integration of acquired businesses. The operational consequences of this are manifested in the ability to recruit and retain the key skills required in the company to service its clients. The group invests in a number of initiatives to address this risk, which includes a graduate trainee programme, the provision of training and development opportunities and implementing long-term incentive schemes for key employees.

#### Financial key performance indicators

The group relies on a number of KPIs, which are reviewed regularly by the board and management team. The main KPIs are as follows:

- Sales activity and growth – particularly in the managed services business. During the period the group won a number new of managed service contracts with new clients
- Earnings before on-recurring or exceptional costs, interest, tax, depreciation and amortisation (adjusted EBITDA). This is the main financial performance KPI on which the group is measured.

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LIVINGSTONE HOLDINGS LIMITED

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GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018

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**Financial Risk Management**

Financial risks are considered and managed in the following ways;

*Liquidity and Cashflow Risk*

The board and management regularly review the group's cash position, current and projected banking covenant compliance and cash flow forecasts for the group. The group maintains positive cash balances, but also has access to bank facilities to finance working capital if required to fund additional growth.

*Interest rate risk*

The group has entered into an interest rate cap for a proportion of its external borrowings to protect against the risk of an increase in interest rates

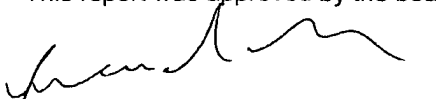
*Foreign exchange risk*

The group has international operations with assets and receivables in US Dollars. The risk arising from fluctuations in the US Dollar exchange rate has been mitigated through maintaining a proportion of its bank borrowings in US Dollar to provide a natural hedge such fluctuations.

*Credit risk*

The group conducts an appropriate credit risk assessment on all potential customers prior to sales being made.

This report was approved by the board on 16 July 2019 and signed on its behalf.

  
Emanuel Mond  
Director

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## LIVINGSTONE HOLDINGS LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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The directors present their report and the financial statements for the year ended 31 December 2018.

#### **Directors' responsibilities statement**

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

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

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

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

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

#### **Results and dividends**

The profit for the year, after taxation, amounted to £3,462,120 (2017 - £2,800,945).

#### **Directors**

The directors who served during the year were:

Emanuel Mond  
Simon Leuty  
Daniel Simpson (resigned 31 May 2018)  
Gabrielle Mond (resigned 31 May 2018)  
Timothy Green (resigned 31 May 2019)

#### **Information included in the strategic report**

Information relating to future developments, financial instrument risk and post balance sheet events is detailed in the strategic report rather than this report.

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**LIVINGSTONE HOLDINGS LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**Disclosure of information to auditor**


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

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

**Auditor**

The auditor, Nexia Smith & Williamson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 16 July 2019 and signed on its behalf.



**Emanuel Mond**  
Director

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## LIVINGSTONE HOLDINGS LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LIVINGSTONE HOLDINGS LIMITED

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#### Opinion

We have audited the financial statements of Livingstone Holdings Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018, which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, 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 December 2018 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, 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

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**LIVINGSTONE HOLDINGS LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LIVINGSTONE HOLDINGS LIMITED  
(CONTINUED)**

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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.

**Opinion 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 Group 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 Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

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 Group Strategic Report or the Directors' Report.

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**

As explained more fully in the Directors' Responsibilities Statement on page 4, 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.

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LIVINGSTONE HOLDINGS LIMITED

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LIVINGSTONE HOLDINGS LIMITED  
(CONTINUED)

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**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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.

**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.

*Nexia Smith & Williamson*

Jeffrey Selden (Senior Statutory Auditor)

for and on behalf of  
**Nexia Smith & Williamson**

Chartered Accountants  
Statutory Auditor

Onslow House  
Onslow Street  
Guildford  
Surrey

GU1 4TL

Date: 18 July 2019

LIVINGSTONE HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
Turnover	4	11,295,599	10,442,912
Cost of sales		(132,187)	(177,033)
<b>Gross profit</b>		<b>11,163,412</b>	<b>10,265,879</b>
Administrative expenses		(7,737,006)	(6,853,987)
<b>Operating profit</b>	5	<b>3,426,406</b>	<b>3,411,892</b>
Interest receivable and similar income	9	36,205	25
<b>Profit before taxation</b>		<b>3,462,611</b>	<b>3,411,917</b>
Tax on profit	10	(491)	(610,972)
<b>Profit for the financial year</b>		<b>3,462,120</b>	<b>2,800,945</b>
Currency translation differences		67,656	(37,060)
<b>Other comprehensive income for the year</b>		<b>67,656</b>	<b>(37,060)</b>
<b>Total comprehensive income for the year</b>		<b>3,529,776</b>	<b>2,763,885</b>

**LIVINGSTONE HOLDINGS LIMITED**  
**REGISTERED NUMBER: 07649324**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Intangible assets	12	304,029	386,528
Tangible assets	13	63,273	101,242
		<u>367,302</u>	<u>487,770</u>
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	15	666,176	-
Debtors: amounts falling due within one year	15	3,602,944	2,721,007
Cash at bank and in hand	16	3,796,508	2,812,067
		<u>8,065,628</u>	<u>5,533,074</u>
Creditors: amounts falling due within one year	17	(2,547,427)	(3,134,294)
<b>Net current assets</b>		<u>5,518,201</u>	<u>2,398,780</u>
<b>Total assets less current liabilities</b>		<u>5,885,503</u>	<u>2,886,550</u>
Creditors: amounts falling due after more than one year	18	(144,346)	(238,284)
<b>Provisions for liabilities</b>			
Deferred taxation	19	-	(1,084)
		<u>-</u>	<u>(1,084)</u>
<b>Net assets</b>		<u><u>5,741,157</u></u>	<u><u>2,647,182</u></u>
<b>Capital and reserves</b>			
Called up share capital	22	130	122
Share premium account	23	928,983	574,178
Capital redemption reserve	23	17	17
Foreign exchange reserve	23	21,925	(45,349)
Other reserves	23	182,738	331,765
Profit and loss account	23	4,607,364	1,786,449
		<u>5,741,157</u>	<u>2,647,182</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16 July 2019.

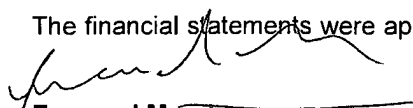
  
**Emanuel Mond**  
 Director

**LIVINGSTONE HOLDINGS LIMITED**  
**REGISTERED NUMBER: 07649324**

**COMPANY BALANCE SHEET**  
**AS AT 31 DECEMBER 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Investments	14	475,648	475,648
		<u>475,648</u>	<u>475,648</u>
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	15	159,039	-
Debtors: amounts falling due within one year	15	388,497	45,308
Cash at bank and in hand	16	360,464	1,106,358
		<u>908,000</u>	<u>1,151,666</u>
Creditors: amounts falling due within one year	17	(169,137)	(617,087)
<b>Net current assets</b>		<u>738,863</u>	<u>534,579</u>
<b>Total assets less current liabilities</b>		<u>1,214,511</u>	<u>1,010,227</u>
<b>Provisions for liabilities</b>			
Other provisions		-	(172,140)
		<u>-</u>	<u>(172,140)</u>
<b>Net assets</b>		<u><u>1,214,511</u></u>	<u><u>838,087</u></u>
<b>Capital and reserves</b>			
Called up share capital	22	130	122
Share premium account	23	928,983	574,178
Capital redemption reserve	23	17	17
Share option reserve	23	-	149,027
Profit and loss account		285,381	114,743
		<u>1,214,511</u>	<u>838,087</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16 July 2019.

  
**Emanuel Mond**  
 Director

LIVINGSTONE HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital £	Share premium account £	Capital redemption reserve £	Foreign exchange reserve £	Share option reserve £	Profit and loss account £	Total equity £
At 1 January 2018	122	574,178	17	(45,349)	331,765	1,786,449	2,647,182
<b>Comprehensive income for the year</b>							
Profit for the year	-	-	-	-	-	3,462,120	3,462,120
Currency translation movements	-	-	-	67,274	-	-	67,274
<b>Total comprehensive income for the year</b>	-	-	-	67,274	-	3,462,120	3,529,394
Notional distribution to Latitude Bidco Limited (note 15)	-	-	-	-	-	(856,245)	(856,245)
Shares issued during the year	8	354,805	-	-	-	-	354,813
Release of share option reserve on exercise of options	-	-	-	-	(215,040)	215,040	-
Share based payments charge	-	-	-	-	66,013	-	66,013
<b>Total transactions with owners</b>	8	354,805	-	-	(149,027)	(641,205)	(435,419)
<b>At 31 December 2018</b>	<b>130</b>	<b>928,983</b>	<b>17</b>	<b>21,925</b>	<b>182,738</b>	<b>4,607,364</b>	<b>5,741,157</b>

LIVINGSTONE HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital £	Share premium account £	Capital redemption reserve £	Foreign exchange reserve £	Other reserves £	Profit and loss account £	Total equity £
At 1 January 2017	124	499,975	11	(8,289)	261,216	908,911	1,661,948
<b>Comprehensive income for the year</b>							
Profit for the year	-	-	-	-	-	2,800,945	2,800,945
Movement in reserves	-	-	-	(37,060)	-	-	(37,060)
<b>Total comprehensive income for the year</b>	-	-	-	(37,060)	-	2,800,945	2,763,885
Dividends: Equity capital	-	-	-	-	-	(500,023)	(500,023)
Shares issued during the year	4	74,203	-	-	-	-	74,207
Share based payments charge	-	-	-	-	70,549	-	70,549
Purchase of own shares	(6)	-	6	-	-	(1,423,384)	(1,423,384)
<b>Total transactions with owners</b>	(2)	74,203	6	-	70,549	(1,923,407)	(1,778,651)
<b>At 31 December 2017</b>	<b>122</b>	<b>574,178</b>	<b>17</b>	<b>(45,349)</b>	<b>331,765</b>	<b>1,786,449</b>	<b>2,647,182</b>

LIVINGSTONE HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Share premium account	Capital redemption reserve	Share option reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2018	122	574,178	17	149,027	114,743	838,087
<b>Comprehensive income for the year</b>						
Profit for the year	-	-	-	-	160,014	160,014
<b>Total comprehensive income for the year</b>	-	-	-	-	160,014	160,014
<b>Contributions by and distributions to owners</b>						
Notional distribution to Latitude Bidco Limited (note 15)	-	-	-	-	(204,416)	(204,416)
Shares issued during the year	8	354,805	-	-	-	354,813
Release of share option reserve on exercise of options	-	-	-	(215,040)	215,040	-
Share based payments charge	-	-	-	66,013	-	66,013
<b>Total transactions with owners</b>	8	354,805	-	(149,027)	10,624	216,410
<b>At 31 December 2018</b>	<b>130</b>	<b>928,983</b>	<b>17</b>	<b>-</b>	<b>285,381</b>	<b>1,214,511</b>

LIVINGSTONE HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Share premium account	Capital redemption reserve	Share option reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2017	124	499,975	11	78,478	(102,097)	476,491
<b>Comprehensive income for the year</b>						
Profit for the year	-	-	-	-	2,140,247	2,140,247
<b>Total comprehensive income for the year</b>	-	-	-	-	2,140,247	2,140,247
<b>Contributions by and distributions to owners</b>						
Dividends: Equity capital	-	-	-	-	(500,023)	(500,023)
Shares issued during the year	4	74,203	-	-	-	74,207
Share based payments charge	-	-	-	70,549	-	70,549
Purchase of own shares	(6)	-	6	-	(1,423,384)	(1,423,384)
<b>Total transactions with owners</b>	(2)	74,203	6	70,549	(1,923,407)	(1,778,651)
<b>At 31 December 2017</b>	<b>122</b>	<b>574,178</b>	<b>17</b>	<b>149,027</b>	<b>114,743</b>	<b>838,087</b>

**LIVINGSTONE HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £	2017 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	3,462,120	2,800,945
<b>Adjustments for:</b>		
Amortisation of intangible assets	122,342	116,220
Depreciation of tangible assets	63,910	88,160
Loss on disposal of tangible assets	-	(198)
Interest received	(36,205)	(25)
Taxation charge	491	610,972
(Increase) in debtors	(207,374)	(973,317)
(Increase)/decrease in amounts owed by groups	(400,863)	-
(Decrease)/increase in creditors	(252,527)	1,176,394
Increase/(decrease) in provisions	-	(5,000)
Corporation tax (paid)	(656,457)	(194,129)
Share option charge	66,013	70,549
<b>Net cash generated from operating activities</b>	<b>2,161,450</b>	<b>3,690,571</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	(39,843)	(8,282)
Purchase of tangible fixed assets	(25,941)	(2,983)
Sale of tangible fixed assets	-	517
Interest received	-	25
Loans to group company	(1,486,216)	-
<b>Net cash from investing activities</b>	<b>(1,552,000)</b>	<b>(10,723)</b>

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LIVINGSTONE HOLDINGS LIMITED

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CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018

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	2018 £	2017 £
<b>Cash flows from financing activities</b>		
Issue of ordinary shares	354,813	74,207
Dividends paid	-	(500,023)
Purchase of own shares	-	(1,423,383)
<b>Net cash used in financing activities</b>	<b>354,813</b>	<b>(1,849,199)</b>
<b>Net increase in cash and cash equivalents</b>	<b>964,263</b>	<b>1,830,649</b>
Cash and cash equivalents at beginning of year	2,812,067	1,011,145
Foreign exchange gains and losses	20,178	(29,727)
<b>Cash and cash equivalents at the end of year</b>	<b>3,796,508</b>	<b>2,812,067</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	3,796,508	2,812,067
	<b>3,796,508</b>	<b>2,812,067</b>

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LIVINGSTONE HOLDINGS LIMITED

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CONSOLIDATED ANALYSIS OF NET DEBT  
FOR THE YEAR ENDED 31 DECEMBER 2018

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	At 1 January 2018 £	Cash flows £	Other non- cash changes £	At 31 December 2018 £
Cash at bank and in hand	2,812,067	964,263	20,178	3,796,508
	<u>2,812,067</u>	<u>964,263</u>	<u>20,178</u>	<u>3,796,508</u>

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## LIVINGSTONE HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 1. General information

Livingstone Holdings Limited is a limited company incorporated in the United Kingdom under the Companies Act 2006. The Company is a private company limited by shares, and is registered in England & Wales under registered number 07649324. The address of the registered office is Kilbrook House, Rose Kiln Lane, Reading, Berkshire, RG2 0BY. The nature of the Company's operations and its principal activities are set out in the strategic report.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

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

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

##### Parent Company disclosure exemptions

In preparing the separate financial statements of the parent Company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No Statement of Cash Flows has been presented for the parent Company;

The following principal accounting policies have been applied:

##### 2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102.

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LIVINGSTONE HOLDINGS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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2. Accounting policies (continued)

2.3 Going concern

The Group and Company have guaranteed the bank debt of the immediate parent, which amounted to £16.1 million as at the year end.

The immediate parent has no income other than that derived from the Group and therefore its ability to repay the bank debt is dependent on the future cash flows of the Group. Management considers that the group will generate sufficient cash flow from operating activities to meet all of its financial obligations in the foreseeable future, including the obligations relating to the parent company's bank debt. In addition, in April 2019 the Group raised an additional £10.8m of cash through additional intercompany debt. The proceeds were used to finance the acquisition of Derive Logic Limited – the acquisition of which substantially improves the Group's cash flow.

The directors have concluded that the Group and the Company will be able to continue in business for the foreseeable future and have therefore adopted the going concern basis for the preparation of the financial statements.

2.4 Foreign currency translation

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

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LIVINGSTONE HOLDINGS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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2. Accounting policies (continued)

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.6 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

2.7 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.8 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

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LIVINGSTONE HOLDINGS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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2. Accounting policies (continued)

2.9 Pensions

**Defined contribution pension plan**

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.10 Current and deferred taxation

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

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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LIVINGSTONE HOLDINGS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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2. Accounting policies (continued)

2.11 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

IP and Systems	-	10	years
In-house developed software	-	5	years

The useful lives above are based on (1) the expected period over which the group is expected to benefit from the intellectual property and systems; and (2) the expected period over which the software is expected to be used before replacement. Amortisation is calculated on a straight line basis.

2.12 Tangible fixed assets

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	-	5	years
Office equipment	-	3	years

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 Consolidated Statement of Comprehensive Income.

2.13 Investments in Subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

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## LIVINGSTONE HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 2. Accounting policies (continued)

##### 2.14 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.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

##### 2.15 Provisions for liabilities

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

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

##### 2.16 Financial instruments

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

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

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

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

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is

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## LIVINGSTONE HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 2. Accounting policies (continued)

##### 2.16 Financial instruments (continued)

an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### 2.17 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

#### 3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make judgements and estimates that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of revenues and expenses during the reporting period.

##### Judgements

In preparing the financial statements, the following judgements which have, or could have, a material impact on the financial statements were made:

##### *Recognition of revenue*

The majority of the group's revenue is derived from service contracts that span a number of years. The directors judge that it is most appropriate to recognise income from such contracts evenly over the contract period as this most closely reflects how the services are delivered.

##### *Software development*

The Group has developed its own software for the delivery of its services. The directors judge whether further development of the software is to be capitalised or expensed. In making this judgement the directors follow the requirements of FRS 102 and, as part of this process, have to judge if the expenditure will give rise to future economic benefit and whether it will lead to a successful conclusion.

##### Estimates

##### *Useful lives of fixed assets*

Depreciation of assets is calculated based on the cost and the estimated useful lives of the assets. The expected useful lives for are based on the expected replacement frequency. The carrying value of the assets are given in the notes "Intangible assets" and "Tangible fixed assets" below.

##### *Bonus scheme*

The Group operates a bonus scheme for certain employees. Under the scheme, benefits accrue on an annual basis to relevant employees and 30% of the accumulated benefits are paid on an annual basis, or in full on the event of a change in control. In the event that an employee leaves other than by way of redundancy, the accumulated benefits are forfeit. The directors estimate the rate at which benefits are expected to be forfeit. The bonus accrual as at the reporting date was £365,108 (2017 - £337,901).

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**LIVINGSTONE HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**4. Turnover**

The whole of the turnover is attributable to the provision of services.

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	4,874,974	5,513,899
EU	1,504,305	408,739
Rest of the world	4,916,320	4,520,274
	<u>11,295,599</u>	<u>10,442,912</u>

**5. Operating profit**

The operating profit is stated after charging:

	2018 £	2017 £
Exchange differences	(2,552)	108,374
Other operating lease rentals	146,297	150,760
Auditor remuneration	39,681	42,851
Depreciation	63,910	88,160
Amortisation	122,342	116,220
	<u>122,342</u>	<u>116,220</u>

**6. Employees**

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Administration	10	9
Service Delivery	49	45
Development	7	6
Sales and Marketing	11	7
	<u>77</u>	<u>67</u>

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LIVINGSTONE HOLDINGS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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7. Staff costs

Group

Staff costs, including directors' remuneration, were as follows:

	2018	2017
	£	£
Wages and salaries	4,463,430	4,345,646
Social security costs	462,773	479,569
Other pension costs	91,800	77,668
	<u>5,018,003</u>	<u>4,902,883</u>

Company

The parent Company has no employees (2017: nil).

8. Directors' remuneration

	2018	2017
	£	£
Directors' emoluments	276,078	261,510
	<u>276,078</u>	<u>261,510</u>

The highest paid director received remuneration of £155,208 (2017 - £130,216).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £6,698 (2017 - £3,750).

During the year 1 director received shares under the long term incentive schemes (2017 -NIL)

9. Interest receivable

	2018	2017
	£	£
Interest receivable from group companies	36,205	-
Other interest receivable	-	25
	<u>36,205</u>	<u>25</u>

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LIVINGSTONE HOLDINGS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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10. Taxation

	2018 £	2017 £
<b>Corporation tax</b>		
Corporation tax on profits for the year	(149,888)	405,464
Adjustments in respect of previous periods	(6,408)	(65,408)
	<u>(156,296)</u>	<u>340,056</u>
<b>Foreign tax</b>		
Foreign tax on income for the year	169,027	300,359
Foreign tax in respect of prior periods	14,117	-
	<u>183,144</u>	<u>300,359</u>
<b>Total current tax</b>	<u>26,848</u>	<u>640,415</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(26,357)	(29,443)
<b>Total deferred tax</b>	<u>(26,357)</u>	<u>(29,443)</u>
<b>Taxation on profit on ordinary activities</b>	<u>491</u>	<u>610,972</u>

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LIVINGSTONE HOLDINGS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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10. Taxation (continued)

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>3,462,611</u>	<u>3,411,917</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	657,896	656,794
<b>Effects of:</b>		
Expenses not deductible for tax purposes	43,999	2,468
Capital allowances for year in excess of depreciation	-	12,307
Utilisation of tax losses	(22,953)	-
Higher rate taxes on overseas earnings	29,647	-
Adjustments to tax charge in respect of prior periods	11,831	(14,123)
Additional deduction for R&D expenditure	(136,554)	(46,474)
Tax deduction arising from exercise of employee options	(525,593)	-
Group relief	(25,733)	-
Recognition of previously unrecognised deferred tax assets	(32,049)	-
<b>Total tax charge for the year</b>	<u>491</u>	<u>610,972</u>

**Factors that may affect future tax charges**

Future tax charges may be affected by the availability or otherwise of enhanced research and development tax deduction.

**LIVINGSTONE HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**11. Dividends**

	2018 £	2017 £
Interim dividend paid in the year	-	500,023
<b>Notional distribution to Latitude Bidco Limited (see note 15)</b>		
- Livingstone Technologies Limited	651,829	-
- Parent Company	204,416	-
	856,245	500,023

**12. Intangible assets**

**Group**

	IP and Systems £	Developed Software £	Total £
<b>Cost</b>			
At 1 January 2018	148,000	514,690	662,690
Additions	-	39,843	39,843
At 31 December 2018	148,000	554,533	702,533
<b>Amortisation</b>			
At 1 January 2018	108,533	167,629	276,162
Charge for the year	14,800	107,542	122,342
At 31 December 2018	123,333	275,171	398,504
<b>Net book value</b>			
At 31 December 2018	24,667	279,362	304,029
At 31 December 2017	39,467	347,061	386,528

LIVINGSTONE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

13. Tangible fixed assets

Group

	Leasehold improve- ments £	Office equipment £	Total £
<b>Cost or valuation</b>			
At 1 January 2018	169,650	467,211	636,861
Additions	5,420	20,521	25,941
At 31 December 2018	<u>175,070</u>	<u>487,732</u>	<u>662,802</u>
<b>Depreciation</b>			
At 1 January 2018	114,049	421,570	535,619
Charge for the year on owned assets	23,727	40,183	63,910
At 31 December 2018	<u>137,776</u>	<u>461,753</u>	<u>599,529</u>
<b>Net book value</b>			
At 31 December 2018	<u>37,294</u>	<u>25,979</u>	<u>63,273</u>
<i>At 31 December 2017</i>	<u>55,601</u>	<u>45,641</u>	<u>101,242</u>

**LIVINGSTONE HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**14. Fixed asset investments**

**Company**

	<b>Subsidiary undertakings £</b>
<b>Cost or valuation</b>	
At 1 January 2018	475,648
At 31 December 2018	475,648

**Subsidiary undertakings**

The following are direct subsidiaries of the Company:

<b>Name</b>	<b>Registered office</b>	<b>Class of shares</b>	<b>Holding</b>
Livingstone Technologies Limited	Kilnbrook House, Rose Kiln Lane, Reading, Berkshire, RG2 0BY	Ordinary	100%
Livingstone Technologies Pty Ltd	GPO Box 2947, Sydney NSW 2001, Australia	Ordinary	100%
Specialist Software Services Inc	1370 Broadway, New York, NY 10018	Ordinary	100%
Specialist Consultants for Software Limited	Kilnbrook House, Rose Kiln Lane, Reading, Berkshire, RG2 0BY	Ordinary	100%
Livingstone Tech Limited	Kilnbrook House, Rose Kiln Lane, Reading, Berkshire, RG2 0BY	Ordinary	100%
Livingstone Technology Limited	Kilnbrook House, Rose Kiln Lane, Reading, Berkshire, RG2 0BY	Ordinary	100%

**15. Debtors**

	<b>Group 2018 £</b>	<b>Group 2017 £</b>	<b>Company 2018 £</b>	<b>Company 2017 £</b>
<b>Due after more than one year</b>				
Amounts owed by group undertakings	666,176	-	159,039	-
	666,176	-	159,039	-

**LIVINGSTONE HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**15. Debtors (continued)**

The above loans are interest free and repayable in full on 31 May 2027. In accordance with the requirements of FRS 102, the capital sum of £1.5 million (Company - £0.4 million) has been discounted at a market rate of interest, with the discount being treated as a distribution to the borrowing company. Notional interest is then accrued on the loan.

	<b>Group 2018 £</b>	<i>Group 2017 £</i>	<b>Company 2018 £</b>	<i>Company 2017 £</i>
<b>Due within one year</b>				
Trade debtors	2,408,156	2,521,194	-	-
Amounts owed by group undertakings	400,863	-	388,126	-
Other debtors	175,882	20,395	371	16,044
Prepayments and accrued income	593,152	179,418	-	-
Deferred taxation	24,891	-	-	29,264
	<u>3,602,944</u>	<u>2,721,007</u>	<u>388,497</u>	<u>45,308</u>

**16. Cash and cash equivalents**

	<b>Group 2018 £</b>	<i>Group 2017 £</i>	<b>Company 2018 £</b>	<i>Company 2017 £</i>
Cash at bank and in hand	3,796,508	2,812,067	360,464	1,106,358
	<u>3,796,508</u>	<u>2,812,067</u>	<u>360,464</u>	<u>1,106,358</u>

**17. Creditors: Amounts falling due within one year**

	<b>Group 2018 £</b>	<i>Group 2017 £</i>	<b>Company 2018 £</b>	<i>Company 2017 £</i>
Trade creditors	342,353	200,886	2,040	7,590
Amounts owed to group undertakings	-	-	59,887	588,345
Corporation tax	194,372	651,083	18,158	-
Other taxation and social security	289,555	346,912	-	-
Other creditors	102,228	17,692	82,902	-
Accruals and deferred income	1,618,919	1,917,721	6,150	21,152
	<u>2,547,427</u>	<u>3,134,294</u>	<u>169,137</u>	<u>617,087</u>

**LIVINGSTONE HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**18. Creditors: Amounts falling due after more than one year**

	<b>Group 2018 £</b>	<i>Group 2017 £</i>
Deferred bonus scheme accrual	144,346	238,284
	<b>144,346</b>	<i>238,284</i>
	<b>144,346</b>	<i>238,284</i>

**19. Deferred taxation**

**Group**

	<b>2018 £</b>	<i>2017 £</i>
At beginning of year	(1,084)	(30,527)
Charged to profit or loss	26,357	29,443
Charged to other comprehensive income	(382)	-
<b>At end of year</b>	<b>24,891</b>	<i>(1,084)</i>
	<b>24,891</b>	<i>(1,084)</i>

**Company**

	<b>2018 £</b>	<i>2017 £</i>
At beginning of year	29,264	850
Charged to profit or loss	(29,264)	28,414
<b>At end of year</b>	<b>-</b>	<i>29,264</i>
	<b>-</b>	<i>29,264</i>

The deferred taxation balance is made up as follows:

	<b>Group 2018 £</b>	<i>Group 2017 £</i>
Accelerated capital allowances	(34,344)	(42,970)
Tax losses carried forward	18,876	-
Other short term timing differences	40,359	41,886
	<b>24,891</b>	<i>(1,084)</i>
	<b>24,891</b>	<i>(1,084)</i>

**LIVINGSTONE HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**Deferred taxation (continued)**

The deferred taxation is presented in the balance sheets as follows:

	<b>Group 2018 £</b>	<i>Group 2017 £</i>	<b>Company 2018 £</b>	<i>Company 2017 £</i>
<b>Comprising:</b>				
Asset - due within one year	<b>32,049</b>	-	-	29,264
Liability	<b>(7,158)</b>	(1,084)	-	-
	<b>24,891</b>	(1,084)	-	29,264

**20. Provisions**

<b>Company</b>	<b>Parent Company support £</b>	<i>Total £</i>
At 1 January 2018	<b>172,140</b>	172,140
Released to profit or loss	<b>(172,140)</b>	(172,140)
<b>At 31 December 2018</b>	<b>-</b>	-

The Company had previously guaranteed the recoverability of inter-company balances between its subsidiaries. The parent Company support provision represented a potential claim by a subsidiary.

The possibility of the claim is now considered remote, so the provision was released in the year.

**21. Share options**

During the year, all options issued under the Company's Enterprise Management Incentive scheme were exercised (2017 – no options exercised) immediately prior to the change in ownership of the Company (see note 29); the scheme is now in abeyance.

As at 1 January 2018, options over 792 shares had been written, at exercise prices between £243 and £695 per share and a weighted average exercise price of £448 per share. These were all exercised in the year.

The option value was estimated using a Black Scholes model, which the directors considered to be appropriate for the group. The charge to the income statement for the year was £66,013 (2017 - £70,549).

Details of the shares issued on the exercise of these options are given in note 22.

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LIVINGSTONE HOLDINGS LIMITED

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22. Share capital

	2018 £	2017 £
<b>Allotted, called up and fully paid</b>		
11,535 (2017 - 11,074) Ordinary shares of £0.01 each	116	111
1,144 (2017 - 1,100) B Ordinary shares of £0.01 each	11	11
287 (2017 - Nil) C Ordinary shares of £0.01 each	3	-
	<u>130</u>	<u>122</u>

Ordinary shares are non-redeemable, have full unrestricted voting rights, entitle the holder to participate in any distribution of dividends to the ordinary shares and entitle the holders to a distribution of capital on a winding up.

B Ordinary shares are non-redeemable, have no right to attend or vote at a general meeting, but carry an entitlement to participate in distribution of dividends to the B shares and to participate equally in a distribution on a winding up but only if the amount returned to shareholders is in excess of £7,500,000.

C Ordinary shares are non-redeemable, have no right to attend or vote at a general meeting, but carry an entitlement to participate in distribution of dividends to the B shares and to participate equally in a distribution on a winding up but only if the amount returned to shareholders is in excess of £12,500,000.

During the year, 461 Ordinary shares, 44 B Ordinary shares and 287 C Ordinary shares were issued following the exercise of outstanding share options. The cash consideration of received was £354,813.

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LIVINGSTONE HOLDINGS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
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**23. Reserves**

**Share premium account**

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at an amount in excess of nominal value.

**Capital redemption reserve**

A statutory, non-distributable reserve into which amounts are transferred following the redemption or purchase of the Company's own shares.

**Foreign exchange reserve**

The foreign exchange reserve is used to record exchange differences arising on consolidation.

**Other reserves**

Other reserves in the Consolidated Balance Sheet comprise the Merger Reserve and the Share Option reserve.

**Merger reserve**

The merger reserve represents capital contributions received and amounts recognised on the acquisition of Livingstone Holdings Limited being the difference between the value of the consideration and the nominal value of the shares issued as consideration.

**Share option reserve**

This reserve relates to the fair value of the outstanding options granted which has been charged to profit or loss over the vesting period of the options and related taxation recognised in equity.

**Profit and loss account**

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

**24. Contingent liabilities**

**Employment tribunal claim**

One of the Company's subsidiaries is facing an employment tribunal claim from a former employee.

The potential liability cannot at this time be determined. However, the directors believe that it is possible that the claim will succeed, but not probable. For these reasons, no liability has been recognised in respect of this claim.

**Parent company bank loans**

The parent company bank loans have been secured on the assets of the Group and the Company. As at 31 December 2018, the amount secured was £16.1 million (2017 - £nil).

**25. Pension commitments**

At 31 December 2018 the Group had unpaid pension contributions totalling £17,816 (2017: £11,667).

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## LIVINGSTONE HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 26. Commitments under operating leases

The Company had no commitments under the non-cancellable operating leases as at the balance sheet date.

#### 27. Related party transactions

An amount of £80,000 was received by Livingstone Holdings Limited in October 2018 from a former director as final settlement in respect of legal proceedings brought against the director in 2016. An assignment of settlement agreement was signed transferring all the legal and beneficial rights, title and interest in the original settlement agreement to Emanuel Mond, a director of the Company. At the year end the balance of £80,000 was owed and is included in other creditors.

The Company's subsidiary undertaking Livingstone Technologies Limited has entered into a 15 year lease ending on 24 December 2028. The lessor is Four Daughters Limited and Samantha Simpson. Emanuel Mond, a director of the Company, and Ms Gabrielle Mond, a former director of Livingstone Holdings Limited, have de facto control over Four Daughters Limited. Samantha Simpson is the wife of Daniel Simpson, a former director and former shareholder of Livingstone Holdings Limited. The annual rent paid in the year was £94,410 (2017: £91,968). At year end there was a balance of £28,323 (2017: £nil).

The Company's subsidiary undertaking Livingstone Technologies Limited has entered into a 9 year lease ending on 29 February 2024. The lessor is Daniel Simpson, PAL Trustees Limited, Emanuel Mond and Rowanmoor Trusts Limited. Emanuel Mond is a director of the Company. Daniel Simpson is a former director and former shareholder of Livingstone Holdings Limited. The annual rent paid in the year amounted to £76,380 (2017: £70,079). At year end there was a balance of £17,750 (2017: £nil).

A director also maintains a current account with the Company's subsidiary undertaking Livingstone Technologies Limited. As at 31 December 2017, £4,091 was owed to that company and was included within Other Debtors. The loan was repaid in full in the year.

During the year, dividends of £nil (2017: £427,143) in aggregate were paid to four directors.

#### 28. Post balance sheet events

On 29 March 2019 the group acquired the trade and assets of the software asset management business of Siwel Consulting Inc, a New York based business providing services and consultancy to clients in the United States of America. This acquisition was funded by existing cash resources.

On 1 April 2019 the group acquired the entire share capital of Derive Logic Limited, a UK based company which provides services and solutions to enable clients to achieve effective IT governance, assure digital transformation, and manage their risk, compliance and performance. This acquisition was funded by additional intercompany debt.

It is expected that the combined additional revenue of these acquisitions will be circa £9 million per annum.

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**LIVINGSTONE HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**29. Controlling party**

Latitude Bidco Limited, registered office Kilnbrook House, Rose Kiln Lane, Reading, England, RG2 0BY, is the immediate parent company.

The parent undertaking of the largest group in which the company is consolidated is Latitude Topco Limited, registered office Kilnbrook House, Rose Kiln Lane, Reading, England, RG2 0BY. The financial statements of this company may be obtained from its registered office.

At the start of the period, there was no controlling party. On 31 May 2018, Livingstone Holdings Limited was acquired by Latitude Bidco Limited. Latitude Bidco Limited is ultimately owned by Carlyle Europe Technology Partners III, LP, a limited partnership formed under the laws of England, with registered number LP015900 and registered office at 1001 Pennsylvania Avenue N W, Suite 220 South, Washington DC 20004-2502, USA. Carlyle Europe Technology Partners III, LP is ultimately controlled (directly or indirectly) by The Carlyle Group LP, a public entity listed on Nasdaq (ticker symbol: CG).