

GRADWELL COMMUNICATIONS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2018

GRADWELL COMMUNICATIONS LIMITED

COMPANY INFORMATION

DIRECTORS	P J Gradwell B E Millett (resigned 31 March 2018) H L F Williams (resigned 27 June 2018) N J B Caw (resigned 18 February 2019) A R Peters (resigned 11 July 2018) S J Curry (appointed 5 March 2019) J Ward (appointed 27 February 2019)
COMPANY SECRETARY	D J L Gradwell
REGISTERED NUMBER	03673235
REGISTERED OFFICE	Westpoint James Street West Bath Avon BA1 2DA
INDEPENDENT AUDITORS	Bishop Fleming Bath Limited Chartered Accountants & Statutory Auditors Minerva House Lower Bristol Road Bath BA2 9ER
BANKERS	Barclays Bank PLC 87 Milsom Street Bath BA1 1DW

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 OCTOBER 2018**

INTRODUCTION

Gradwell Communications Ltd's principal activity continued to be a leading independent provider of innovative Cloud Communication and related services to SMEs in the UK. The company provides award winning business telephone (VoIP) and business broadband solutions and provides these services to over 11,000 customers directly and via a partner channel.

BUSINESS REVIEW

Following the June 2017 acquisition of Gradwell Holdings Ltd by Oval HoldCo Ltd the new investors and new management team are focused on the growth opportunities that the Cloud Communications market offers. As part of this focus, during the year the company sold its web hosting contract base and outsourced the related networking provision to a third party.

Meanwhile they continued to invest in the Cloud Communications platform, notably including a replicated instance in AWS, allowing for full disaster recovery and more agile product development. These activities carried one-off or temporary dual running costs which depressed operating profit in the year.

Gradwell Communications Ltd continues to be committed to the development of its Cloud based communication offerings and invested £425k in development projects. The directors are confident that significant progress will continue in the next year.

PRINCIPAL RISKS AND UNCERTAINTIES

Gradwell Communications currently has c.11,000 customers, and no one customer accounts for more than 1% of revenues, so the business risk is well spread. The principal ongoing risk is price pressure in what is a highly competitive market.

KEY PERFORMANCE INDICATORS

The results of Gradwell Communications Ltd for the year reflect the first stages in repositioning the company and investment for future growth and, as a result, revenues are stagnant and EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) have reduced. The directors consider that the primary key performance indicator that is appropriate to the business is the growth in the gross margin from continuing operations, which was 4.8%.

This report was approved by the board on 15 May 2019 and signed on its behalf.

P J Gradwell
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 OCTOBER 2018**

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

DIRECTORS

The directors who served during the year were:

P J Gradwell
B E Millett (resigned 31 March 2018)
H L F Williams (resigned 27 June 2018)
N J B Caw (resigned 18 February 2019)
A R Peters (resigned 11 July 2018)

MATTERS COVERED IN THE STRATEGIC REPORT

Information relating to financial instruments and future prospects is considered to be of strategic importance and has been disclosed in the strategic report and excluded from the directors' report.

DISCLOSURE OF INFORMATION TO AUDITORS

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's auditors are 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's auditors are aware of that information.

AUDITORS

The auditors, Bishop Fleming Bath Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

SMALL COMPANIES NOTE

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

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

P J Gradwell

Director

Date: 15 May 2019

Westpoint
James Street West
Bath
Avon
BA1 2DA

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 2018**

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

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

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GRADWELL COMMUNICATIONS LIMITED

OPINION

We have audited the financial statements of Gradwell Communications Limited (the 'Company') for the year ended 31 October 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position 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 Company's affairs as at 31 October 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company 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 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, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GRADWELL COMMUNICATIONS LIMITED (CONTINUED)

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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 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 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

USE OF OUR REPORT

This report is made solely to the Company's shareholders, 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 shareholders those matters we are required to state to them in an Auditors' 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 shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.

Simon Morrison FCA (Senior Statutory Auditor)

for and on behalf of

Bishop Fleming Bath Limited

Chartered Accountants

Statutory Auditors

Minerva House

Lower Bristol Road

Bath

BA2 9ER

17 May 2019

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 OCTOBER 2018**

		Continuing operations 2018 £	Discontinued operations 2018 £	Total 2018 £	Continuing operations 2017 £	Discontinued operations 2017 £	Total 2017 £
Note							
	Turnover	7,207,223	263,613	7,470,836	7,036,336	321,245	7,357,581
	Cost of sales	(2,598,085)	(218,724)	(2,816,809)	(2,636,982)	(255,620)	(2,892,602)
	GROSS PROFIT	4,609,138	44,889	4,654,027	4,399,354	65,625	4,464,979
	Administrative expenses	(4,721,477)	-	(4,721,477)	(4,524,586)	-	(4,524,586)
	OPERATING LOSS	(112,339)	44,889	(67,450)	(125,232)	65,625	(59,607)
	Gain on disposal of operation	-	81,422	81,422	-	-	-
	Interest payable and expenses	(16,603)	-	(16,603)	(41,067)	-	(41,067)
	LOSS BEFORE TAX	(128,942)	126,311	(2,631)	(166,299)	65,625	(100,674)
	Tax on loss	109,176	(23,999)	85,177	136,874	(12,738)	124,136
	PROFIT FOR THE FINANCIAL YEAR	(19,766)	102,312	82,546	(29,425)	52,887	23,462

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2018 (2017:£NIL).

The notes on pages 9 to 22 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2018

	Note	2018 £	2017 £
FIXED ASSETS			
Intangible assets	7	1,090,449	1,043,598
Tangible assets	8	169,397	277,478
		1,259,846	1,321,076
CURRENT ASSETS			
Debtors: amounts falling due after more than one year	9	33,781	-
Debtors: amounts falling due within one year	9	789,727	761,813
Cash at bank and in hand	10	26,269	21,090
		849,777	782,903
Creditors: amounts falling due within one year	11	(1,369,572)	(1,298,514)
NET CURRENT LIABILITIES			
		(519,795)	(515,611)
TOTAL ASSETS LESS CURRENT LIABILITIES			
		740,051	805,465
Creditors: amounts falling due after more than one year	12	(24,069)	(172,029)
NET ASSETS			
		715,982	633,436
CAPITAL AND RESERVES			
Called up share capital		1,251	1,251
Profit and loss account		714,731	632,185
		715,982	633,436

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

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

P J Gradwell
Director

Date: 15 May 2019

The notes on pages 9 to 22 form part of these financial statements.

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

1. GENERAL INFORMATION

Gradwell Communications Limited is a limited liability company incorporated in the United Kingdom. It is a private company limited by shares. The registered office is Westpoint, James Street West, Bath, BA1 2DA.

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 Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

The following principal accounting policies have been applied:

2.2 FINANCIAL REPORTING STANDARD 102 - REDUCED DISCLOSURE EXEMPTIONS

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

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Oval Holdco Limited as at 31 October 2018 and these financial statements may be obtained from Westpoint, James Street West, Bath, Avon, BA1 2DA.

2.3 GOING CONCERN

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

2. ACCOUNTING POLICIES (continued)

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 Statement of Comprehensive Income.

2.5 REVENUE

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover 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 turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Turnover 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 turnover can be measured reliably;
- it is probable that the Company 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. ACCOUNTING POLICIES (continued)

2.6 OPERATING LEASES: THE COMPANY AS LESSEE

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.7 LEASED ASSETS: THE COMPANY AS LESSEE

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.8 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.

2.9 FINANCE COSTS

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

2.10 PENSIONS

DEFINED CONTRIBUTION PENSION PLAN

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

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

2. ACCOUNTING POLICIES (continued)

2.11 SHARE BASED PAYMENTS

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of Comprehensive Income is charged with fair value of goods and services received.

2.12 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in the 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 reporting date in the countries where the Company operates and generates income.

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

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

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

2. ACCOUNTING POLICIES (continued)**2.13 INTANGIBLE ASSETS****GOODWILL**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of comprehensive income over its useful economic life.

OTHER 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.

2.14 TANGIBLE FIXED ASSETS

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

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

Depreciation is provided on the following basis:

Office equipment	-	20% and 33% straight line
Telecoms equipment	-	25% straight line

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

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

2.15 DEBTORS

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

2.16 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.

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

2. ACCOUNTING POLICIES (continued)

2.17 CREDITORS

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

2.18 PROVISIONS FOR LIABILITIES

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

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position 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 Statement of Financial Position.

2.19 FINANCIAL INSTRUMENTS

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable 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 financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

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

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position 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.

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

3.

JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical judgements made by management that have a significant effect on the amounts recognised in the financial statements are described below.

Critical judgements**Lease commitments**

Determine whether leases entered into by the company either as a lessor or a lessee are operating or lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Depreciation rates

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Sources of estimation uncertainty**Impairment of fixed assets**

Determine whether there are indicators of impairment of the company's tangible and intangible assets, including goodwill.

Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

4. OPERATING LOSS

The operating loss is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	107,391	286,879
Amortisation of intangible assets, including goodwill	378,644	323,755
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	10,200	9,500
Fees payable to the Company's auditor and its associates for all other services	4,115	2,400
Exchange differences	2,297	3,103
Other operating lease rentals	186,433	181,795
Defined contribution pension cost	<u>55,231</u>	<u>52,510</u>

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

5. EMPLOYEES

The average monthly number of employees, including directors, during the year was 66 (2017: 70).

6. DIRECTORS' REMUNERATION

	2018 £	2017 £
Directors' emoluments	465,716	451,917
Company contributions to defined contribution pension schemes	10,935	10,670
	<u>476,651</u>	<u>462,587</u>

During the year retirement benefits were accruing to 6 directors (2017: 7) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £124,565 (2017: £95,279).

The value of the company's contribution paid to a defined contribution pension scheme in respect of the highest paid director amounted to £3,750 (2017: £2,518).

During the year £40,706 (2017: £29,000) was paid to 2 (2017: 3) directors in respect of compensation for loss of office.

7. INTANGIBLE ASSETS

	Development £	Goodwill £	Total £
COST			
At 1 November 2017	2,348,555	45,000	2,393,555
Additions	425,495	-	425,495
	<u>2,774,050</u>	<u>45,000</u>	<u>2,819,050</u>
At 31 October 2018	2,774,050	45,000	2,819,050
AMORTISATION			
At 1 November 2017	1,304,957	45,000	1,349,957
Charge for the year	378,644	-	378,644
	<u>1,683,601</u>	<u>45,000</u>	<u>1,728,601</u>
At 31 October 2018	1,683,601	45,000	1,728,601
NET BOOK VALUE			
	<u>1,090,449</u>	<u>-</u>	<u>1,090,449</u>
At 31 October 2018	1,090,449	-	1,090,449
At 31 October 2017	1,043,598	-	1,043,598

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

8. TANGIBLE FIXED ASSETS

	Office equipment £	Telecoms equipment £	Total £
COST OR VALUATION			
At 1 November 2017	280,766	1,636,056	1,916,822
Additions	26,901	-	26,901
Disposals	(4,244)	(77,803)	(82,047)
At 31 October 2018	303,423	1,558,253	1,861,676
DEPRECIATION			
At 1 November 2017	251,182	1,388,162	1,639,344
Charge for the year on owned assets	36,641	98,341	134,982
Disposals	(4,244)	(77,803)	(82,047)
At 31 October 2018	283,579	1,408,700	1,692,279
NET BOOK VALUE			
At 31 October 2018	19,844	149,553	169,397
At 31 October 2017	29,584	247,894	277,478

The net book value of assets held under finance leases or hire purchase contracts, included above, are £143,678 (2017: £235,204).

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

9. DEBTORS

	2018 £	2017 £
DUE AFTER MORE THAN ONE YEAR		
Amounts owed by group undertakings	33,781	-
	<u>33,781</u>	<u>-</u>
	2018 £	2017 £
DUE WITHIN ONE YEAR		
Trade debtors	242,818	309,789
Other debtors	181,124	481
Prepayments and accrued income	259,013	311,255
Tax recoverable	80,300	118,693
Deferred taxation	26,472	21,595
	<u>789,727</u>	<u>761,813</u>

10. CASH AND CASH EQUIVALENTS

	2018 £	2017 £
Cash at bank and in hand	26,269	21,090
Less: bank overdrafts	(47,667)	(26,779)
	<u>(21,398)</u>	<u>(5,689)</u>

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

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Bank overdrafts	47,667	26,779
Trade creditors	530,359	554,283
Other taxation and social security	225,581	235,603
Obligations under finance lease and hire purchase contracts	45,933	89,516
Other creditors	135,418	1,350
Accruals and deferred income	384,614	390,983
	<u>1,369,572</u>	<u>1,298,514</u>

Secured liabilities

Bank overdrafts (2018: £47,667; 2017: £26,779) are secured on a debenture in form and substance satisfactory to the bank, a guarantee from one of the Group Directors of £100,000 in cash, and a cross guarantee and debenture between Gradwell Communications Limited and Gradwell Holdings Limited in form and substance satisfactory to the bank.

The hire purchase liability of £45,933 (2017: £89,516) is secured on the related assets.

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018 £	2017 £
Net obligations under finance leases and hire purchase contracts	24,069	73,914
Amounts owed to group undertakings	-	98,115
	<u>24,069</u>	<u>172,029</u>

Secured loans

The hire purchase liability of £24,069 (2017: £73,914) is secured on the related assets.

13. HIRE PURCHASE AND FINANCE LEASES

Minimum lease payments under hire purchase fall due as follows:

	2018 £	2017 £
Within one year	45,933	89,516
Between 1-2 years	24,069	73,914
	<u>70,002</u>	<u>163,430</u>

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

14. SHARE BASED PAYMENTS

Gradwell Holdings Limited has previously issued new shares or options over shares, however the costs are borne by Gradwell Communications Limited.

In the prior year, the Company issued a number of EMI share options for Ordinary shares of £0.50 to certain directors and senior employees of the Company as follows: 14,935 Options issued with an exercise price of £1.52 each. All options vested during the prior year.

In 2018 no such options were issued.

No options remain unexercised at 31 October 2018.

	Weighted average exercise price (pence) 2018	Number 2018	Weighted average exercise price (pence) 2017	Number 2017
Outstanding at the beginning of the year		-	56	59,739
Granted during the year		-	152	14,935
Lapsed during the year		-	56	(22,402)
Exercised during the year		-	759	(52,272)
OUTSTANDING AT THE END OF THE YEAR		-		-

	2018	2017
Option pricing model used		Black-Scholes
Weighted average share price (pence)		50
Exercise price (pence)		83
Weighted average contractual life (days)		829
Expected volatility		50%
Risk-free interest rate		0.50%

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

15. DISCONTINUED OPERATIONS

In June 2018, Gradwell Communications Limited sold its Cloud-based income stream following a strategic decision to place greater focus on the Company's key services. The transaction involved the sale of the fixed assets associated with this line of business (which had a nil net book value at the date of sale), in addition to the customer base for this income stream.

This business line was not previously classified as held-for-sale or as a discontinued operation. The comparative statement of comprehensive income has been restated to show the discontinued operation separately from continuing operations.

	£
Cash proceeds	81,422
Proceeds of sale	81,422
PROFIT ON DISPOSAL BEFORE TAX	81,422

16. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £55,231 (2017: £52,510). At the year end, there were no outstanding contributions included in creditors (2017: £Nil)

17. COMMITMENTS UNDER OPERATING LEASES

At 31 October 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	104,342	45,650
1-2 years	104,342	-
2-5 years	269,550	-
	478,234	45,650

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

18. RELATED PARTY TRANSACTIONS

During the year the group entered into transactions, in the ordinary course of business, with other related parties. The transactions entered into and trading balances outstanding at 31 October, are as follows:

	2018	2017
	£	£
Purchases from entities controlled by key management personnel or their close family	47,800	13,451
Sales to key management personnel	768	-

Key Management Personnel

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the group are considered to be key management personnel. Total remuneration in respect of these individuals was £514,566 (2017: £462,587).

19. CONTROLLING PARTY

The immediate parent company is Gradwell Holdings Limited, a company incorporated in the UK.

On 30 June 2017, the ultimate parent company of the smallest group preparing consolidated financial statements became Oval Holdco Ltd, a company incorporated in the UK. The registered office is Westpoint, James Street West, Bath, Avon, BA1 2DA.

Consolidated financial statements can be obtained from the registered office.

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