Registered no: 04187081

Truphone Limited
Group and Company Annual Report and Financial Statements
For the year ended 31 December 2016

Truphone Limited

Contents

Truphone Limited

Directors and Advisers

Directors

R Steffens
A DeCort
J Fletcher
E W Plattfaut
G E S Robinson

Company Secretary

I Jones

Registered Office

25 Canada Square
Canary Wharf
London
E14 5LQ
United Kingdom

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
3 Forbury Place
23 Forbury Road
Reading, Berkshire RG1 3JH
United Kingdom

Strategic report
for the year ended 31 December 2016

The Directors present their strategic report on the Group for the year ended 31 December 2016.

Business review

Business description
Truphone (the "Group") is the world's first truly global mobile network that operates without country borders. Truphone has created a unique global mobile infrastructure, which works with patented technology embedded in its SIM cards, that allows mobile phones to operate as local phones in an area of eight countries called the Truphone Zone, and roam in over 200 other countries globally. During the year, the Group continued to invest in enhancing and innovating its network and systems. The Group's customers include FTSE100 and Fortune 500 companies, including many of the Tier 1 global banks.

Truphone customers in the UK, USA, Australia, Netherlands, Germany, Hong Kong, Poland and Spain enjoy a globally consistent and seamless experience with superior call quality. The Group's Truphone World plans can be enjoyed in a total of 66 countries, covering approximately 70% of all international travel routes and representing 80% of global GDP. The plans include international data roaming and calls in and between those countries as part of the standard bundle. All our customers can have multiple numbers and additional local numbers in any of our core countries.

Sales and Marketing
The sales teams continue to expand our customer base with companies for whom the relevance of the Truphone proposition is strong. We continue to attract a number of internationally renowned businesses, which has meant expanding our footprint among FSTE 250 and S&P500 companies. The Group has continued to invest in the proposition, product and marketing activities in the first half of 2017 with a focus on widening our reach by developing our digital presence and improving the relevant content we offer prospects and customers.

Strategic report
for the year ended 31 December 2016 (continued)

Infrastructure and Product Development
The design of the network infrastructure and systems, largely deployed in 2012 and 2013, with continuing enhancements, will allow the Group to rapidly roll out its value proposition in additional territories at low cost, offering compelling global shared voice and data bundles and to expand into consumer and wholesale segments. In addition to being an integrated multinational network, we monitor performance in real time and provide proactive fault resolution around the world. We also test service stability by simulating real-world usage in the lab, something that no other operator can do at this level.

The Group has aggressively pursued a strategy of upgrading 4G services and network availability wherever possible and by early 2017 had delivered or had obtained commitments to 4G services in seven of its eight Truphone operating countries, together with a further 32 individual roaming destinations. We consider our engineering capabilities in this domain to be global market leading.

The network architecture enables Truphone to offer competitive market leading multi-country solutions, for a range of B2B, B2C and IoT/ M2M products. This unique characteristic has allowed it to collaborate with one of the world's largest OEM providers, to enable the connectivity of some of its devices across 54 countries using programmable SIM technology developed in-house by Truphone.

Truphone Mobile Recording ("TMR"), a proprietary product, has benefited from the regulatory changes due to be implemented in January 2018. During the year we signed three new investment banks highlighting the relevance of the product in meeting stringent compliance obligations. TMR provides seamless recording in over 200 countries, helping enable Truphone clients to comply with the UK Financial Conduct Authority, European MiFiD II and US Dodd-Frank mobile recording regulations without affecting user productivity or call quality.

Employees
The Group is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The Group gives full and fair consideration to applications for employment for disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group. If members of staff become disabled the Group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

The Group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly through quarterly All Hands meetings and annual employee surveys, so that their views can be taken into account when making decisions that are likely to affect their interests.

Results and dividends

The Group reduced its loss for the financial year to £56,781k (2015: £67,373k) through customer and revenue growth and a rationalisation of operating costs. All eight countries in the Truphone Zone continue to successfully attract high value customers away from the incumbent network operators via their direct sales teams and with selected third party channels.

These results reflect that the investment which has been made in the network and sales capabilities during the early stages, vital to the Group's future development, is starting to yield positive outcomes. However the Group's unrealised value is locked in the unique set of network and system capabilities, key elements of which are protected by patents, both granted and pending. These are estimated to be of considerable value as advised by independent technology IPR valuation specialists.

In line with the plan for 2016 agreed with its shareholders, total turnover increased by 22% to £31,341k. The Directors do not recommend payment of a dividend (2015: £nil). Please refer to page 14 for the balance sheet position.

Strategic report
for the year ended 31 December 2016 (continued)

Key performance indicators

The Directors monitor the performance of the Group with reference to clear targets and performance indicators. The Key Performance Indicators ("KPIs") which Truphone focuses on are investment in and development of the infrastructure, the launch and operationalisation of new countries, TruSIM turnover, Group losses before tax and market presence.

The Group continued to sign up customers to its TruSIM service during the year ended 31 December 2016 which will form part of future KPIs. The Group focuses on the following financial and operational targets:

Key performance indicators

	2016	2015
Total Group turnover (£000)	**31,341**	25,791
Group loss before tax (£000)	**56,895**	69,233
Infrastructure Investment (£000)	**4,378**	7,365
Number of operational countries	**8**	8

Principal risks and uncertainties

There are a number of potential business and operational risks and uncertainties that the Group is exposed to, although these are not considered to be any more severe than for other comparable cellular and telecommunications companies adopting similar strategies. There is a formal risk assessment review adopted by the Group and the Executive Directors report to the Board on the likelihood of such risks occurring, any impact on the business and mitigating actions that have been taken.

The key risks and the mitigation strategies are as follows:

Business risks	**Mitigation strategy**
Loss of customers and declining markets	Continued enhancement of the TruSIM proposition to address additional market segments, expansion into new regions and competitive pricing. Voice recording solutions for the UK, US, Hong Kong & Australia financial services sector, which will provide additional turnover streams and opportunities for the business globally.
Operational risks	
Failure to hire and retain key employees	Location of the business in the proximity of the required talent pool. Regular staff communication and market tested reward and incentive packages.
Loss of intellectual property assets	Physical and logical security to the business systems and contractual protection of intellectual property.
Disaster recovery and business continuity plans	A business continuity plan is in place including physically separated disaster recovery infrastructure.
Cyber threat / data protection	Network monitoring and protective systems including multi-tiered firewalls, intrusion prevention systems and a structured plan to ensure timely GDPR compliance.

Financial risk management

The Group's operations expose it to limited financial risks that include price risk, credit risk, liquidity risk and foreign exchange risk.

Given the size of the Group, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board are implemented by the Group's finance department.

Price risk

See Outlook paragraph contained within Directors' report.

Credit risk

The Group's customer base comprises of individuals as well as larger organisations and management has implemented appropriate credit policies prior to contracting with these clients.

Liquidity risk

The Group closely monitors its working capital requirements. A continued fund-raising program along with proactive receivables management enables the Group to operate with sufficient working capital. See page 7 for further details on going concern.

Foreign exchange risk

As a result of operating in foreign markets the Group's results could be affected by changes in foreign currency exchange rates. The Group has international sales and operations in ten countries and transacts in a number of local currencies. Foreign exchange translation gains and losses are included in the operating result.

The Group has currently decided to take no active measures to mitigate foreign exchange risk, however, it will continue to monitor whether this is appropriate as the scale of the Group's operations grow and taking into account any natural hedge opportunities.

On behalf of the Board

Ralph Steffens
Chief Executive Officer

Date: 26 June 2017

Directors' report
for the year ended 31 December 2016

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2016.

Directors

The statutory Directors during the year under review and up to the date of the signing of the financial statements, unless otherwise stated, were:

S Robertson (resigned 31 May 2016)
R Steffens (appointed 28 January 2016)
N Burkey (resigned 21 September 2016)
A DeCort
J Fletcher
J Mahoney (appointed 28 October 2016) (resigned 6 June 2017)
E W Plattfaut
G E S Robinson
J P Tagg (resigned 28 October 2016)

Directors' qualifying third party indemnity

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the financial year under review and remains in place today. The Group purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Post balance sheet events

During June 2017 the Board agreed to extend the repayment date of the loan from majority shareholders of £232,760k to 30 June 2017.

Between January and June 2017, the Group received convertible bridging loans of £17,500k from its major existing shareholders.

On 25 January 2017, the Group incorporated a new entity in India, Truphone Solutions Private Limited, in which the Group holds a 49% interest.

Outlook

The Group agreed a revised plan for 2017 with its shareholders in December 2016 which reflected sales growth in all geographical markets supported by renegotiated airtime agreements with better input prices and substantially improved access to 4G radio access services across the globe.

The business expects to see continued strong growth in its mobile recording product driven by regulatory changes impacting large financial services customers globally. The business will also launch a series of new services including those delivered though a new eCommerce channel and a series of strategic partnerships with global, regional and national mobile networks and global internet companies. The plan anticipates a substantially improved profit profile which will allow the Group to materially reduce its reliance on additional funding from its existing shareholders in 2017.

During the first half of 2017, sales order growth in non-recorded mobile services was lower than anticipated although trading performance was in line with the plan due to the performance of mobile recording and early delivery of cost savings. The business has also renewed a number of important customers across all markets during the early part of 2017.

Directors' report for the year ended 31 December 2016 (continued)

Outlook (continued)

The sales pipeline continues to grow and the business will release a new pricing plan during summer 2017 reflecting improvements in airtime agreements. The new plans allow Truphone to compete on price more effectively across geographical markets whilst offering better value to customers by bringing additional countries into its standard bundles.

In the second quarter the business has undergone a restructuring exercise which allows the business to release excess real estate space in London and consolidate expertise into centres of operational and commercial excellence in Lisbon, Warsaw and Manilla. Management expect these changes to complete during summer 2017 resulting in a further reduction in overhead costs and improved operational effectiveness as the business positions for an exciting period of growth.

Although the external commercial environment in which the Group operates is expected to remain competitive in 2017 and beyond, the Directors are confident that the business is well positioned for the future.

Employees

See Strategic report for Employee involvement and Equal opportunities and disabilities policies.

Going concern

For the year ended 31 December 2016, the Group made a loss for the financial year of £56,781k (2015: loss of £67,373k). The Company made a loss for the financial year of £64,543k (2015: loss of £64,076k). The shareholders are fully supportive of the Group achieving its future potential through the delivery of an 18 month business plan which anticipates a breakeven point in early 2018. The Group has successfully delivered the first nine months of the plan and remains on track to achieve break even. The Group and Company will require additional funding in order to do this including amounts not yet approved for 2018 only. This condition indicates the existence of a material uncertainty which may cast significant doubt as to the Group's and Company's ability to continue as a going concern. The financial statements do not include any adjustment to the value of the balance sheet or provision for further liabilities, which could result should the going concern basis of accounting not be valid.

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the following:

- In the year ended 31 December 2016 the Company successfully obtained an additional £44,150k loan funding from majority shareholders.
- The existing shareholders have provided additional funding in 2017 to finance growth and have signalled their intention to continue to do so in the future;
- There is continued strong interest from its operator partners around the globe potentially allowing the Group to adjust its plans to make its commercial offering to consumers even more competitive and relevant.

The management operates a periodic forecast process and reaffirms its strategy and performance with the Board including any future funding needs. The Directors believe that the strategy to focus on the Enterprise market through an industry segmental approach and in particular targeting the financial services sector will allow the Group to grow organically and create significant value. Additionally, the emergence of an international market dynamic that depends on many of the network and system capabilities that Truphone has already operationally implemented, has provided a strong basis to launch its wholesale strategy during the year.

Directors' report
for the year ended 31 December 2016 (continued)

Going concern (continued)

Since inception, the Company has successfully raised funding in excess of £159,177k and has every reason to believe that it will attract the additional capital required beyond 2017 to see its strategic plan through to EBITDA and cash flow breakeven. The Directors will continue to closely monitor and plan business priorities to optimise cash utilisation and to sustain operational continuity and therefore believe it appropriate to prepare the financial statements for the year ended 31 December 2016 on a going concern basis.

Dividends

Refer to strategic report for results and dividends.

Financial risk management

Refer to strategic report for financial risk management.

Statement of directors' responsibilities in respect of the financial statements

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report
for the year ended 31 December 2016 (continued)

Statement of directors' responsibilities in respect of the financial statements (continued)

In the case of each director in office at the date the Directors' Report is approved:

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

On behalf of the Board

Ralph Steffens
Chief Executive Officer
Date: 26 June 2017

Independent auditors' report to the members of Truphone Limited

Report on the financial statements

Our opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2016 and of the group's loss and cash flows 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.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the group's and company's ability to continue as a going concern. The group and company require additional shareholder funding to be raised within the next year in order to continue their operations which has not yet been approved. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and company were unable to continue as a going concern.

What we have audited

The financial statements, included within the Group and Company Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Consolidated and company balance sheet as at 31 December 2016;
- the Consolidated profit and loss account and Consolidated statement of comprehensive income for the year then ended;
- the Consolidated statement of cash flows for the year then ended;
- the Consolidated and company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Independent auditors' report to the members of Truphone Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

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

In addition, in light of the knowledge and understanding of the group, the company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Independent auditors' report to the members of Truphone Limited (continued)

Responsibilities for the financial statements and the audit (continued)

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Gareth Murfitt

Gareth Murfitt (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

26 June 2017

Consolidated profit and loss account for the year ended 31 December 2016

	Note	2016 £000	2015 £000
Turnover	4	**31,341**	25,791
Cost of sales		**(22,691)**	(18,394)
Gross profit		**8,650**	7,397
Administrative expenses		**(64,125)**	(77,703)
Other operating income		**1,496**	1,084
Operating loss	5	**(53,979)**	(69,222)
Restructuring costs		**(2,855)**	-
Loss on ordinary activities before interest and taxation		**(56,834)**	(69,222)
Interest receivable and similar income	6	**13**	54
Interest payable and similar expenses	7	**(74)**	(65)
Loss before taxation		**(56,895)**	(69,233)
Tax on loss	10	**114**	1,860
Loss for the financial year		**(56,781)**	(67,373)

There is no material difference between the loss before taxation and the loss for the years stated above, and their historical cost equivalents.

All amounts relate to continuing operations.

Consolidated statement of comprehensive income for the year ended 31 December 2016

	2016 £000	2015 £000
Loss for the financial year	**(56,781)**	(67,373)
Other comprehensive loss		
Exchange losses on translation of foreign operations	**(7,682)**	(554)
Total other comprehensive loss, net of tax	**(7,682)**	(554)
Total comprehensive loss for the year	**(64,463)**	(67,927)

Truphone Limited

Consolidated and company balance sheet as at 31 December 2016

		Group		Company	
		2016	2015	**2016**	2015
	Note	**£000**	£000	**£000**	£000
Fixed assets					
Intangible assets	11	**6,991**	11,915	**6,868**	11,722
Tangible assets	12	**6,734**	9,191	**6,392**	8,472
Investments	13	**-**	-	**-**	612
		13,725	21,106	**13,260**	20,806
Current assets					
Stocks	14	**66**	434	**63**	177
Debtors: amounts falling due within one year	15	**9,969**	10,811	**6,650**	16,330
Debtors: amounts falling due after more than one year	16	**123**	604	**123**	604
Cash at bank and in hand		**3,414**	4,739	**2,112**	2,856
		13,572	16,588	**8,948**	19,967
Creditors: amounts falling due within one year	17	**(245,182)**	(191,430)	**(229,509)**	(185,962)
Net current liabilities		**(231,610)**	(174,842)	**(220,561)**	(165,995)
Total assets less current liabilities		**(217,885)**	(153,736)	**(207,301)**	(145,189)
Provisions for liabilities	19	**(2,752)**	(3,697)	**(1,976)**	(105)
Net liabilities		**(220,637)**	(157,433)	**(209,277)**	(145,294)
Capital and reserves					
Called up share capital	20	**1**	1	**1**	1
Share premium account	20	**228,907**	228,907	**228,907**	228,907
Profit and loss account		**(449,545)**	(386,341)	**(438,185)**	(374,202)
Total shareholders' deficit		**(220,637)**	(157,433)	**(209,277)**	(145,294)

The Company's profit and loss account shows a loss for its financial year of £64,543k (2015: loss of £64,076k).

The financial statements on pages 13 to 45 were approved by the board of Directors on 26 June 2017 and were signed on its behalf by:

Ralph Steffens
Chief Executive Officer

Group Registered No: 04187081

Consolidated statement of changes in equity for the year ended 31 December 2016

Group	Note	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' deficit £000
As at 1 January 2015		**1**	**228,907**	**(320,651)**	**(91,743)**
Loss for the financial year		-	-	(67,373)	(67,373)
Share based payment services provided	22	-	-	2,237	2,237
Exchange losses on translation of foreign operations		-	-	(554)	(554)
As at 31 December 2015		**1**	**228,907**	**(386,341)**	**(157,433)**
Loss for the financial year		-	-	(56,781)	(56,781)
Share based payment services provided	22	-	-	1,259	1,259
Exchange losses on translation of foreign operations		-	-	(7,682)	(7,682)
As at 31 December 2016		**1**	**228,907**	**(449,545)**	**(220,637)**

Company statement of changes in equity for the year ended 31 December 2016

Company	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' deficit £000
As at 1 January 2015	**1**	**228,907**	**(311,517)**	**(82,609)**
Loss for the financial year	-	-	(64,076)	(64,076)
Share based payment services provided	-	-	1,391	1,391
As at 31 December 2015	**1**	**228,907**	**(374,202)**	**(145,294)**
Loss for the financial year	-	-	**(64,543)**	**(64,543)**
Share based payment services provided	-	-	**560**	**560**
As at 31 December 2016	**1**	**228,907**	**(438,185)**	**(209,277)**

Consolidated statement of cash flows for the year ended 31 December 2016

	Note	2016 £000	2015 £000
Net cash outflow from operating activities	25	**(41,636)**	(50,536)
Taxation received		**114**	1,866
Net cash outflow from operating activities		**(41,522)**	(48,670)
Cash flow from investing activities			
Interest received		**13**	54
Purchase of intangibles		**(3,154)**	(4,809)
Purchase of tangible fixed assets		**(769)**	(2,841)
Net cash used in investing activities		**(3,910)**	(7,596)
Cash flow from financing activities			
Interest paid		**(74)**	(65)
Proceeds from shareholders' loans		**44,150**	54,110
Net cash generated from financing activities		**44,076**	54,045
Decrease in cash and cash equivalents		**(1,356)**	(2,221)
Cash and cash equivalents at 1 January		**4,739**	7,279
Effect of foreign exchange rate changes		**31**	(319)
Cash and cash equivalents at 31 December		**3,414**	4,739

	2016 £000	2015 £000
Cash and cash equivalents consist of:		
Cash at bank and in hand	**3,414**	4,739
Cash and cash equivalents	**3,414**	4,739

Notes to the financial statements for year the ended 31 December 2016

1 Statement of compliance

The Group and Company's financial statements have been prepared in compliance with Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

2 Accounting policies

Truphone Limited is a private company limited by shares and is incorporated in England. The Registered Office is 25 Canada Square, Canary Wharf, London E14 5LQ.

These financial statements of the Group and Company are prepared, on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the UK. The principal accounting policies, which have been applied consistently unless otherwise stated, are set out below.

Basis of preparation and change in accounting policy

The financial statements of Truphone Limited were approved for issue by the Board of Directors on 26 June 2017. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional and presentation currency of the Group and rounded to the nearest £'000.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Going concern

For the year ended 31 December 2016, the Group made a loss for the financial year of £56,781k (2015: loss of £67,373k). The Company made a loss for the financial year of £64,543k (2015: loss of £64,076k). The shareholders are fully supportive of the Group achieving its future potential through the delivery of an 18 month business plan which anticipates a breakeven point in early 2018. The Group has successfully delivered the first nine months of the plan and remains on track to achieve break even. The Group and Company will require additional funding in order to do this including amounts not yet approved for 2018 only. This condition indicates the existence of a material uncertainty which may cast significant doubt as to the Group's and Company's ability to continue as a going concern. The financial statements do not include any adjustment to the value of the balance sheet or provision for further liabilities, which could result should the going concern basis of accounting not be valid.

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the following:

- In the year ended 31 December 2016 the Company successfully obtained an additional £44,150k loan funding from majority shareholders.
- The existing shareholders have provided additional funding in 2017 to finance growth and have signalled their intention to continue to do so in the future;
- There is continued strong interest from its operator partners around the globe potentially allowing the Group to adjust its plans to make its commercial offering to consumers even more competitive and relevant.

Notes to the financial statements for the year ended 31 December 2016 (continued)

2 Accounting policies (continued)

Going concern (continued)

The management operates a periodic forecast process and reaffirms its strategy and performance with the Board including any future funding needs. The Directors believe that the strategy to focus on the Enterprise market through an industry segmental approach and in particular targeting the financial services sector will allow the Group to grow organically and create significant value. Additionally, the emergence of an international market dynamic that depends on many of the network and system capabilities that Truphone has already operationally implemented, has provided a strong basis to launch its wholesale strategy during the year.

Since inception, the Company has successfully raised funding in excess of £459,177k and has every reason to believe that it will attract the additional capital required beyond 2017 to see its strategic plan through to EBITDA and cash flow breakeven. The Directors will continue to closely monitor and plan business priorities to optimise cash utilisation and to sustain operational continuity and therefore believe it appropriate to prepare the financial statements for the year ended 31 December 2016 on a going concern basis.

Consolidation

The Group financial statements consolidate the financial statements of the Group and its subsidiary undertakings made up to 31 December 2016. Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct ownership of voting rights. Intra-Group sales and profits are eliminated fully on consolidation.

The financial statements of the Group and its subsidiaries included in the consolidated financial statements are prepared using uniform accounting policies.

Company profit and loss account

As permitted by section 408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements. The Company's profit and loss account shows a loss for its financial year of £64,543k (2015: loss of £64,076k).

Exemption for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. Truphone Limited, the parent entity, can take exemptions in its standalone financial statements.

As a qualifying entity, the Company has taken advantage of the following exemptions:

- from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
- from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

Notes to the financial statements for the year ended 31 December 2016 (continued)

2 Accounting policies (continued)

Subsidiary Audit Exemption

Under Section 479A of the Companies Act 2006, exemptions from an audit of the financial statements for the financial year ending 31 December 2016 have been taken by Software Cellular Network Limited, registered number 05736968 and TruRecord Limited, registered number 08063060. As required by Section 479C of the Companies Act 2006, Truphone Limited guarantees all outstanding liabilities to which the subsidiary companies listed above are subject at the end of the financial year, until they are satisfied in full and the guarantee is enforceable against the parent undertaking by any person to whom the subsidiary companies listed above is liable in respect of those liabilities.

Foreign currency

Functional and presentation currency

The Group financial statements are presented in pound sterling and rounded to thousands.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The Company's functional and presentation currency is pound sterling.

Transactions and balances

Transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs.

Monetary assets and liabilities of the Group companies are translated into sterling at the rates of exchange ruling at the balance sheet date. The trading results of overseas subsidiaries are translated at the average rate ruling during the year, with the adjustment between average rates and the rates ruling at the balance sheet date being taken to reserves. The difference arising on the restatement of the opening net investment, to overseas subsidiary, are dealt with as adjustments to other reserves.

All other exchange differences are dealt with in the profit and loss account.

Turnover

Turnover comprises amounts generated from mobile telecommunication services including voice, SMS and data transactions, excluding value added tax and other sales related taxation. Turnover from subscription fees is recognised evenly throughout the periods to which they relate. Turnover from the sale of handsets and related accessories is recognised at the point of dispatch. Sales of prepaid minutes are deferred until the customer uses the prepaid value to pay for relevant calls.

Notes to the financial statements for the year ended 31 December 2016 (continued)

2 Accounting policies (continued)

Share-based payment

The Group operates approved and unapproved equity-settled, share-based compensation plans. Certain employees of the Group are awarded shares and/or options over shares in the Group. The fair value of the employee services received in exchange for these grants of shares and/or options is recognised as an expense, with a corresponding increase in reserves.

The total amount to be expensed over the vesting period of the options is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to reserves.

Employer's National Insurance on share options

Under unapproved share option schemes, the Group is required to pay National Insurance on the difference between the exercise price and market value at the exercise date of the shares issued. The Group becomes unconditionally liable to pay the National Insurance upon exercise of the options. The Group therefore calculates the provision by applying the latest enacted National Insurance rate to the difference between the market value of the underlying options at the balance sheet date and the option exercise prices. A full provision is made upon grant of the option as there is no underlying performance period. The amount of the National Insurance actually payable will depend on the number of employees who remain with the Group and exercise their options, the market price of the shares at the time of exercise and the prevailing National Insurance rates at the time.

Research and development

Research and product development costs are generally expensed through the profit and loss account as incurred unless the costs involved are deemed to meet the criteria for capitalisation. These costs are required to be expensed until projects under development reach technological feasibility and financial viability. Technological feasibility is determined after a working model of the software has been completed. Financial viability is determined when the future turnover exceeds the costs incurred. The Group's research and product development costs related to software development during the year prior to technological feasibility are expensed. Capitalisation of development costs begins upon the establishment of technological feasibility, limited to the net realisable value of the software product, and ceases when the software product is available for general release to customers. Capitalised development costs are amortised after general release over a three year period and are stated at cost less accumulated amortisation at the balance sheet date.

Leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Notes to the financial statements for the year ended 31 December 2016 (continued)

2 Accounting policies (continued)

Intangible fixed assets

Goodwill

Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Under the accounting standard FRS 102 section 19.22 'Business Combinations and Goodwill', goodwill arising on acquisitions has been capitalised and is being amortised over a three year period, being the period expected to benefit. The Group evaluates the carrying value of goodwill in each financial year to determine if there has been an impairment in value, which would result in the inability to recover the carrying amount if events exist to indicate a potential impairment.

When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

Development costs

Capitalisation of development costs begins upon the establishment of technological feasibility, limited to the net realisable value of the software product, and ceases when the software product is available for general release to customers. Capitalised developments costs are amortised after general release over a three year period and are stated at cost less accumulated amortisation in the balance sheet.

Telecoms licences

Telecoms licences are capitalised at cost and amortised on a straight line basis over their licence term.

Tangible fixed assets

The cost of tangible fixed assets comprises the purchase price and any incidental expenses of acquisition. Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Buildings	20 years
Computer equipment and fixtures and fittings	3 years
Leasehold improvements	Period of lease

No depreciation is provided on land

Notes to the financial statements for the year ended 31 December 2016 (continued)

2 Accounting policies (continued)

Impairment on non-financial assets

The Group assesses at each reporting date whether an asset may be impaired. If any such indication exists the Group estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in the profit and loss.

An impairment loss recognised for all assets, including goodwill, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

Fixed asset investments

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment.

Stocks

Stocks have been valued at the lower of cost and net realisable value. Cost is the purchase cost of stock on a FIFO basis with any obsolete stock written off during the year. Net realisable value is based on estimated selling price less any further costs to sell.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Provisions for liabilities

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Notes to the financial statements for the year ended 31 December 2016 (continued)

2 Accounting policies (continued)

Pension costs

Pension contributions in respect of defined contribution pension schemes are charged to the profit and loss account as incurred. The assets of the pension plans are held separately from the Group in independently administered funds.

Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets and liabilities

Basic financial assets and liabilities, including trade and other receivables and payables, cash and bank balances and loans are initially recognised at transaction price. Such assets and liabilities are subsequently carried at amortised cost using the effective interest method. Any losses arising from impairment are recognised in the profit and loss account in other operating expenses.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The Group operates a number of country-specific defined contribution plans 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 when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

Notes to the financial statements for the year ended 31 December 2016 (continued)

2 Accounting policies (continued)

Loans and borrowing

Bank and other borrowings are initially stated as the 'net proceeds', being the principal loan element, net of issue and finance costs. Issue costs together with finance costs are allocated to the profit and loss account over the term of the facility at the effective rate of interest. Accrued finance charges and issue costs are included in the carrying value of those borrowings.

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

Judgements

Development expenditure

Development expenditure is capitalised in accordance with the accounting policy given below. Initial capitalisation of costs is based on management's judgement that technical and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Estimates

Goodwill and intangible assets

The Group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed and any legal, regulatory or contractual provisions that can limit useful life assumptions that market participants would consider in respect of similar businesses.

Impairment of non-financial assets

Where there are indicators of impairment of individual assets, the Group performs impairment tests based on fair value less costs to sell. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset.

Notes to the financial statements for the year ended 31 December 2016 (continued)

4 Turnover

The turnover of the Group has been wholly derived from its principal activity. The principal activity of the Group and its subsidiaries in the year under review was that of cellular and telecommunication services. Turnover is analysed as follows:

Geographical analysis by destination

	2016	2015
	£000	£000
Europe	**22,894**	17,469
North America	**4,969**	4,068
Asia Pacific	**3,478**	4,254
Total	**31,341**	25,791

Area of activity

	2016	2015
	£000	£000
Sales of goods	**748**	2,074
Rendering of services	**30,593**	23,717
Total	**31,341**	25,791

5 Operating loss

The Group's operating loss is stated after charging / (crediting):

	2016	2015
	£000	£000
Amortisation – owned assets (note 11)	**8,103**	11,206
Depreciation – owned assets (note 12)	**4,130**	5,884
Operating lease charges – land and buildings	**5,365**	5,832
Research and development expenditure	**645**	10,428
Onerous contract charges	**4,271**	2,786
Fees payable to the auditors for the audit of the consolidated Group entities' annual financial statements	**87**	96
Fees payable to the Company's auditors and their associates for other services:		
Audit of the Company's subsidiaries	**6**	12
Tax compliance	**16**	7
Gain on translation of foreign currency	**(6,169)**	(137)

Notes to the financial statements for the year ended 31 December 2016 (continued)

6 Interest receivable and similar income

	2016	2015
	£000	£000
Interest receivable on bank account	**13**	54

7 Interest payable and similar expenses

	2016	2015
	£000	£000
Interest payable on overdrafts and bank charges	**74**	65

8 Employees

Staff costs, including amounts capitalised (note 11) were:

	Group		**Company**	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Wages and salaries	**28,615**	28,760	**16,133**	15,538
Social security costs	**3,541**	3,548	**1,896**	1,757
Costs associated with share based payments (see note 22)	**1,259**	2,237	**560**	1,391
Other pension costs (see note 21)	**1,116**	1,243	**852**	976
	34,531	35,788	**19,441**	19,662

The average monthly number of staff employed (including Directors) under contracts of service during the year is as follows:

	Group		**Company**	
	2016	2015	**2016**	2015
	Number	Number	**Number**	Number
Sales	**66**	79	**11**	12
Operations	**330**	342	**135**	150
Administration	**87**	101	**48**	53
	483	522	**194**	215

Notes to the financial statements for the year ended 31 December 2016 (continued)

9 Directors' emoluments

	2016 £000	2015 £000
Aggregate emoluments	**1,918**	602
Company contributions to defined contribution pension schemes	**45**	19
	1,963	621

At 31 December 2016 there was one Director to whom retirement benefits under a defined contribution scheme were accruing (2015: two). During the year, there were nil (2015: nil) Directors who purchased Ordinary shares of the Group.

Highest paid director:

	2016 £000	2015 £000
Aggregate emoluments, gains on share options exercised and benefits under long term incentive schemes	**1,143**	406

10 Tax on loss

	2016 £000	2015 £000
Current tax		
Adjustments in respect of prior periods	**(248)**	(1,866)
	(248)	(1,866)
Foreign tax		
Corporation taxes	**134**	6
Total tax credit	**(114)**	(1,860)

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2016 (2015: £nil).

Notes to the financial statements for the year ended 31 December 2016 (continued)

10 Tax on loss (continued)

The income tax expense for the year differs (2015: differs) from the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are reconciled below.

	2016 £000	2015 £000
Loss before taxation	**(56,895)**	(69,233)
Loss before taxation multiplied by the average rate of tax in the UK of 20% (2015: 20.25%)	**(11,379)**	(14,020)
Effects of:		
Expenses not deductible for tax purposes	**4**	10
Accelerated capital allowances and other timing differences	**2,307**	4,712
Current tax losses for which no deferred tax asset was recognised	**9,068**	9,298
Adjustments in respect of prior periods	**(248)**	(1,866)
Adjustment in respect of foreign taxes	**134**	6
Total tax credit for year	**(114)**	(1,860)

Deferred taxation

The Group has an unrecognised deferred tax asset of £62,262k and includes additional deductions associated with research and development tax credits.

The Directors consider that it is unlikely there will be sufficient taxable profits in the immediate future such as to realise the deferred tax asset, and therefore the asset has not been recognised in these financial statements (2015: £nil).

Factors that may affect future tax charges

Following announcements in the Summer Budget 2015 and the Budget 2016, the UK corporation tax rate will reduce to 19% from 1 April 2017 and 17% from 1 April 2020. The Summer Budget 2015 had originally announced that the rate would reduce to 18% from 1 April 2020. This reduction was substantively enacted on 26 October 2015 and so the prior year deferred tax assets were calculated at this rate. The subsequent announcement in the Budget 2016 that the rate will reduce to 17% from 1 April 2020 was substantively enacted on 6 September 2016. As this reduction was substantively enacted prior to the year end, the closing deferred tax assets have been calculated at this rate.

Notes to the financial statements for the year ended 31 December 2016 (continued)

11 Intangible assets

Group

	Telecom licences	Goodwill	Development costs	Total
	£000	£000	£000	£000
Cost				
At 1 January 2016	324	6,284	36,968	43,576
Additions	-	-	3,154	3,154
Foreign exchange adjustment	63	-	14	77
At 31 December 2016	**387**	**6,284**	**40,136**	**46,807**
Accumulated amortisation				
At 1 January 2016	206	6,284	25,171	31,661
Amortisation for the year	43	-	8,060	8,103
Foreign exchange adjustment	41	-	11	52
At 31 December 2016	**290**	**6,284**	**33,242**	**39,816**
Net book amount				
At 31 December 2016	**97**	**-**	**6,894**	**6,991**
At 31 December 2015	118	-	11,797	11,915

Company

	Goodwill	Development costs	Total
	£000	£000	£000
Cost			
At 1 January 2016	3,710	36,755	40,465
Additions	-	3,152	3,152
At 31 December 2016	**3,710**	**39,907**	**43,617**
Accumulated amortisation			
At 1 January 2016	3,710	25,033	28,743
Amortisation for the year.	-	8,006	8,006
At 31 December 2016	**3,710**	**33,039**	**36,749**
Net book amount			
At 31 December 2016	**-**	**6,868**	**6,868**
At 31 December 2015	-	11,722	11,722

Notes to the financial statements for the year ended 31 December 2016 (continued)

12 Tangible assets

Group

	Computer equipment and fixtures and fittings	Leasehold improvements	Total
	£000	£000	£000
Cost			
At 1 January 2016	22,893	3,137	26,030
Additions	1,224	378	1,602
Disposals	(99)	-	(99)
Foreign exchange adjustment	318	38	356
At 31 December 2016	**24,336**	**3,553**	**27,889**
Accumulated depreciation			
At 1 January 2016	16,394	445	16,839
Charge for the year	3,702	428	4,130
Disposals	(99)	-	(99)
Foreign exchange adjustment	262	23	285
At 31 December 2016	**20,259**	**896**	**21,155**
Net book amount			
At 31 December 2016	**4,077**	**2,657**	**6,734**
At 31 December 2015	6,499	2,692	9,191

Notes to the financial statements for the year ended 31 December 2016 (continued)

12 Tangible assets (continued)

Company

	Buildings and leasehold improvements	Computer equipment and fixtures and fittings	Total
	£000	£000	£000
Cost			
At 1 January 2016	2,867	19,788	22,655
Additions	318	1,214	1,532
Disposals	-	(94)	(94)
At 31 December 2016	**3,185**	**20,908**	**24,093**
Accumulated depreciation			
At 1 January 2016	294	13,889	14,183
Charge for the year	354	3,258	3,612
Disposals	-	(94)	(94)
At 31 December 2016	**648**	**17,053**	**17,701**
Net book amount			
At 31 December 2016	**2,537**	**3,855**	**6,392**
At 31 December 2015	2,573	5,899	8,472

Notes to the financial statements for the year ended 31 December 2016 (continued)

13 Investments

Company

Shares in subsidiary undertakings	**£000**
Cost	
At 1 January 2016	3,893
At 31 December 2016	**3,893**
Provision	
At 1 January 2016	3,281
Charged to the profit and loss account	612
At 31 December 2016	**3,893**
Net book amount	
At 31 December 2016	-
At 31 December 2015	612

The related undertakings whose results or financial performance principally affect the figures shown in the consolidated financial statements are as follows:

Subsidiary undertakings:

Company Name	Registered Address	Principal Activity	Percentage Interest
Software Cellular Network Ltd	London[1]	Provision of services	100%
SIM4TRAVEL LIMITED	London[1]	Dormant	100%
Truphone, Inc.	The Corporation Trust Company Corporation Trust Center 1209 Orange Street, Wilmington Delaware, DE 19801, US	Provision of services	100%
Truphone Poland Sp Z.o.o	Ul. Iłżecka 26, 02-135 Warszawa Poland	Provision of services	100%
SCNL Truphone S.A	Taguspark, Avenida Professor Doutor Cavaco Silva Edif.2740 120 Qualidade B-B2-3a, Oeiras Portugal	Provision of services	100%
Truphone GmbH	Lenz and Staehlin Aktiengesellschaft, Bleicherweg 58 8002 Zurich, Switzerland	Provision of services	100%
Smart Call LLC*	6801 Engle Road, Suite L&M, Middleburg Heights, Ohio OH 44130, US	Provision of services	100%
Startel Communications Co Pty Ltd	Melbourne[2]	Provision of services	100%
Brizpark Pty Ltd	Melbourne[2]	Provision of services	100%
Truphone Pty Ltd	Melbourne[2]	Provision of services	100%

Notes to the financial statements for the year ended 31 December 2016 (continued)

13 Investments

Company Name	Registered Address	Principal Activity	Percentage Interest
Startel Communications Asia Corp**	Level 22, Orient Square Building Ortigas Jr Drive, Ortigas, Pasig City Philippines	Provision of services	40%
Truphone (Hong Kong) Ltd*	20th Floor, Alexandra House 16-20 Chater Road Central Hong Kong, Hong Kong	Provision of services	100%
Truphone Pte Ltd	Singapore[3]	Provision of services	100%
SCN Truphone S.L.	Via De Las Dos Castillas 33 Ed. Atica III, 1 Planta 28224 Madrid, Pozuelo de Alarcon Spain	Provision of services	100%
Tru Pte Ltd*	Singapore[3]	Provision of services	100%
iSmart Mobile LLC*	6801 Engle Road, Suite L&M Middleburg Heights, Ohio OH 44130, US	Provision of services	100%
Truworld Pte Ltd*	Singapore[3]	Provision of services	100%
Truphone B.V.	Rembrandtlaan 1A, Bilthoven 3723BG, Netherlands	Provision of services	100%
Truphone GmbH	An der Herrenmuhle 7-9, 61440 Oberursel, Germany	Provision of services	100%
TruRecord Ltd	London[1]	Provision of services	100%

* Not a direct holding of the Company.
** Not a direct holding of the Company, however the Company has 100% control.
[1] 25 Canada Square, Canary Wharf, London, E14 5LQ, UK
[2] Mertons Corporate Services Pty Ltd, Level 7, 330 Collins Street, Melbourne, Victoria, VIC 3000, Australia
[3] Tricor Evatthouse Corporate Services, 80 Robinson Road #02-00, 068898, Singapore

All subsidiaries listed above have a 31 December year end. The class of shares held for all investments is ordinary shares.

Notes to the financial statements for the year ended 31 December 2016 (continued)

14 Stocks

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Cellular stock	**66**	427	**63**	177
Sim cards	**-**	7	**-**	-
	66	434	**63**	177

The stocks expensed during the year were £1,822k (2015: £3,441k).

15 Debtors: amounts falling due within one year

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Trade debtors	**5,394**	5,089	**1,800**	1,939
Amounts owed by Group undertakings	**-**	-	**2,327**	10,713
Other debtors	**1,998**	1,885	**1,022**	966
Prepayments and accrued income	**2,577**	3,837	**1,501**	2,712
	9,969	10,811	**6,650**	16,330

Trade debtors are stated after provisions for impairment of £2,544k (2015: £4,950k).

Amounts owed by the Group undertakings are unsecured and have no fixed date of repayment, as at 31 December 2016 £930k (2015: £1,316k) was interest free, the remainder attracts interest at a rate between 2% and 7%.

16 Debtors: amounts falling due after more than one year

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Other debtors	**123**	604	**123**	604

Notes to the financial statements for the year ended 31 December 2016 (continued)

17 Creditors: amounts falling due within one year

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Other borrowings	**215,260**	171,110	**215,260**	171,110
Trade creditors	**1,904**	2,921	**1,576**	2,705
Amounts owed to Group undertakings	**-**	-	**3,059**	3,750
Taxation and social security	**1,158**	810	**519**	444
Other creditors	**147**	313	**25**	195
Accruals and deferred income	**26,713**	16,276	**9,070**	7,758
	245,182	191,430	**229,509**	185,962

Other borrowings relate to a loan facility received from the majority shareholders which is not interest bearing and is secured by a fixed and floating charge over the Group's assets and intellectual property. The loan is rolled-over on a monthly basis, and is currently repayable in full by 30 June 2017. The lenders have the option to off-set the loan against shares, or securities convertible into shares, of the Company.

Amounts owed to Group undertakings are unsecured and interest free, and have no fixed date of repayment.

Included within accruals is an amount of £10,278k, which relates to a 3 year minimum spend agreement that the Group entered into with one of its key suppliers in 2013 for a period of 3 years.

18 Financial instruments by category

The Group and Company's financial assets and liabilities measured at amortised cost comprise trade and other receivables, cash and cash equivalents, trade and other payables and loans and borrowings. Due to their nature and / or short-term maturity, the fair values of financial assets and liabilities measured at amortised cost are estimated to approximate their carrying values.

Notes to the financial statements for the year ended 31 December 2016 (continued)

19 Provisions for liabilities

Group

	Restructuring £000	Other £000	Total £000
At 1 January 2016	184	3,513	3,697
Utilised in the year	-	(34)	(34)
Re-class to creditors	-	(2,782)	(2,782)
Unused amounts reversed to the profit and loss account	(184)	(10)	(194)
Charged to the profit and loss account	547	332	879
Re-class from creditors	536	-	536
Capitalised in cost of assets	-	650	650
At 31 December 2016	**1,083**	**1,669**	**2,752**

Company

	Restructuring £000	Other £000	Total £000
At 1 January 2016	94	11	105
Unused amounts reversed to the profit and loss account	(94)	(10)	(104)
Charged to the profit and loss account	547	242	789
Re-class from creditors	536	-	536
Capitalised in cost of assets	-	650	650
At 31 December 2016	**1,083**	**893**	**1,976**

Restructuring

During 2016, the Group commenced a program to rationalise the amount of vacant leased office space. This has resulted in the crystallisation of contractual costs, which will be payable on exit.

Other

Supplier contracts

This represents the expected cost, as at the balance sheet date, of the Group fulfilling its obligations under the 'take or pay' supplier arrangements the Group has entered into.

Asset Retirement Obligations

The Group is required to restore property under operating leases. The asset retirement obligation provision is based on the best estimate of the amount required to settle the obligation.

These provisions are not discounted as the time value of money is not material.

Notes to the financial statements for the year ended 31 December 2016 (continued)

20 Called up share capital

Group and Company

	2016	2015
	£000	£000
Allotted, called up and fully paid		
83,455,820 Ordinary shares of £0.00001 each (2015: 83,455,820 Ordinary shares of £0.00001 each)	**1**	1
760 B Ordinary shares of £0.00001 each (2015: 760 B Ordinary shares of £0.00001 each)	**-**	-
14,397 D Ordinary shares of £0.00001 each (2015: 14,397 D Ordinary shares of £0.00001 each)	**-**	-
	1	1

The D shares rank pari passu with the Ordinary shares except that the holders of the D Ordinary Shares are not entitled to receive notice of, to attend, to speak or to vote at any general meeting of the Group nor to receive or vote on, or otherwise contribute an eligible member for the purposes of a proposed written resolution of the Group.

The B shares are discussed in Note 22.

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs

21 Pension commitments

The Group operates a defined contribution pension scheme. The charge for the year represents contributions payable by the Group to the fund and amounted to £1,116k (2015: £1,243k) paid into defined contribution pension schemes. There is an accrual at the year-end of £1k (2015: £157k).

Notes to the financial statements for the year ended 31 December 2016 (continued)

22 Share-based payments

Share options – Scheme 1 Approved

At 31 December 2016 the Group's employees were members of stock–based compensation plans operated by the Group. The original options granted vested immediately at a subscription price equal to the nominal value. The subsequent options were granted at the fair market value at the date of granting with a vesting period between 15 months and 3 years. All of these arrangements are settled in equity. The contractual life of all options is 10 years.

A reconciliation of option movements over the year ended 31 December 2016 is shown below:

	2016		2015	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at start of year	**54,886**	**£8.49**	69,600	£8.49
Granted	**-**	**-**	-	-
Forfeited	**(3,800)**	**£8.75**	(14,714)	£8.49
Exercised	**-**	**-**	-	-
Expired	**(2,486)**	**£4.39**	-	-
Outstanding at end of year	**48,600**	**£8.67**	54,886	£8.49
Exercisable at end of year	**48,600**	**£8.67**	54,886	£8.49

No share options were granted or exercised in the year. For options outstanding at the end of the year within the scope of Section 26 of FRS 102 'Share-based Payment', the range of exercise prices and weighted average remaining contractual life are as follows:

	2016		2015	
Actual exercise price	**Number of shares**	**Weighted average remaining contractual life**	Number of shares	Weighted average remaining contractual life
£4.39	**-**	**-**	2,486	0.4
£8.69	**1,550**	**0.4**	1,950	1.6
£8.64	**46,850**	**3.3**	50,200	4.4
£16.50	**200**	**4.0**	250	5.0

The total charge for the year relating to employee share based payment plans was £nil (2015: £nil).

Options were valued using the Black-Scholes option-pricing model. The model is internationally recognised as being appropriate to value employee share schemes similar to the schemes entered into by the Group. No performance conditions were included in the fair value calculations.

Notes to the financial statements for the year ended 31 December 2016 (continued)

22 Share-based payments (continued)

Share options – Scheme 2 Unapproved

At 31 December 2016, certain Group employees were part of a share-option scheme operated by the Group. Options were granted at the fair market value at the date of granting, with a vesting period between 12 months and 3 years. All of these arrangements are settled in equity. The contractual life of all options is 10 years.

A reconciliation of option movements over the year ended 31 December 2016 is shown below:

	2016		2015	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at start of year	**4,380,000**	**£2.00**	3,235,000	£2.00
Granted	**-**	**-**	2,735,000	£2.00
Forfeited	**(1,253,334)**	**£2.00**	(1,590,000)	£2.00
Exercised	**-**	**-**	-	-
Expired	**-**	**-**	-	-
Outstanding at end of year	**3,126,666**	**£2.00**	4,380,000	£2.00
Exercisable at end of year	**1,441,667**	**£2.00**	-	-

No share options were granted or exercised in the year. For options outstanding at the end of the year within the scope of Section 26 of FRS 102 'Share-based Payment', the range of exercise prices and weighted average remaining contractual life are as follows:

	2016		2015	
Actual exercise price	**Number of shares**	**Weighted average remaining contractual life**	Number of shares	Weighted average remaining contractual life
£2.00	**3,126,666**	**7.4**	4,380,000	8.6

The total charge for the year relating to employee share based payment plans was £1,259k (2015: £2,237k), all of which related to equity-settled share based payment transactions. After deferred tax, the total charge was £1,259k (2015: £2,237k).

Notes to the financial statements for the year ended 31 December 2016 (continued)

22 Share-based payments (continued)

Options were valued using the Black-Scholes option-pricing model. The model is internationally recognised as being appropriate to value employee share schemes similar to the schemes entered into by the Group. No performance conditions were included in the fair value calculations. The fair value per option granted and the assumptions used in the calculation are as follows:

	2016	2015
Share price at grant date	-	£3.60
Exercise price	-	£2.00
Number of employees	-	67
Shares under option	-	2,735,000
Vesting period (years)	-	0 to 3 yrs
Expected volatility	-	100%
Option life (years)	-	10 yrs
Expected life (years)	-	3 yrs
Risk free rate	-	0.66% to 1.17%
Expected dividend yield	-	-
Fair value per option	-	£2.60 to £2.61

The expected volatility has been difficult to ascribe with certainty since the Group is unquoted and lacks historical or meaningful comparisons. A high volatility of 100% has been used reflecting the growth potential of the Group. The maximum vesting period was used to determine the expected life of the option. The risk free rate was based on the Bank of England spot yields in effect at the time of grant.

The Group has not provided for any social security contributions as a joint election has been made between the Group and the employees to transfer the liability for the secondary social security contributions to the employees.

Notes to the financial statements for the year ended 31 December 2016 (continued)

22 Share-based payments (continued)

Employee Benefit Trust

On 16 January 2013, the Group established an Employee Benefit Trust share option scheme for the benefit of its employees. For this purpose, it transferred a sum of £100 to the established Trust and also granted the Trust with an option to acquire 1,500,000 shares for no payment.

A reconciliation of option movements over the year ended 31 December 2016 is shown below:

	2016		2015	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at start of year	**1,500,000**	**£2.00**	1,500,000	£2.00
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at end of year	**1,500,000**	**£2.00**	1,500,000	£2.00
Exercisable at end of year	-	-	-	-

The total charge for the year relating to the Employee Benefit Trust was £nil (2015: £nil). The Group has provided for social security contributions at a rate of 13.8%. After social security contributions, the total charge was £nil (2015: £nil).

The options were valued using the Black-Scholes option pricing model. Dividends were not incorporated into the model, as none are expected to be paid over the vesting period.

B Shares

At 31 December 2013, the Group had issued 760 B Ordinary shares to certain employees and directors. The shares were granted at the fair market value at the date of granting.

The B Ordinary shares entitle participants to an amount equal to 0.01% of the equity value less the amount invested into the Group on an exit event subject to a hurdle condition being an equity value of greater than £150,000k. The invested amount means £20,000k plus any capital invested, by way of equity, into the Group after 1 March 2012.

The shares were valued using the Black–Scholes option pricing model. Dividends were not incorporated into the model as none are expected to be paid over the vesting period. The fair value per B share at the date of granting was £20,235. The total charge for the year relating to the B Ordinary shares was £nil (2015: £nil).

Holders of B Ordinary shares are also not entitled to receive notice of, to attend, to speak or to vote at any general meeting of the Group nor to receive or vote on, or otherwise contribute an eligible member for the purposes of a proposed written resolution of the Group.

Notes to the financial statements for the year ended 31 December 2016 (continued)

23 Commitments

The Group has entered into a number of 'take-or-pay' agreements with key suppliers. The remaining commitment under these agreements as at 31 December 2016 amounted to £11,536k.

24 Financial commitments

At 31 December 2016 the Group had future minimum lease payments due under non-cancellable operating leases expiring as follows:

	2016	**2016**	2015	2015
	Land and buildings	**Plant and Equipment**	Land and buildings	Plant and Equipment
	£000	**£000**	£000	£000
Within one year	**4,858**	-	4,596	-
Within two to five years	**6,848**	-	7,106	-
In more than five years	**2,514**	-	6,708	-
	14,220	-	18,410	-

Operating lease agreements where the Group is lessor:

The Group sub-leases office space to third parties. This non-cancellable lease has a remaining term of less than one year.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2016	**2016**	2015	2015
	Land and buildings	**Plant and Equipment**	Land and buildings	Plant and Equipment
	£000	**£000**	£000	£000
Within one year	**373**	-	576	-
Within two to five years	-	-	-	-
In more than five years	-	-	-	-
	373	-	576	-

Notes to the financial statements for the year ended 31 December 2016 (continued)

25 Notes to the consolidated statement of cash flows

a) Reconciliation of loss for the financial year to net cash outflow from operating activities

	2016	2015
	£000	£000
Loss for the financial year:	**(56,781)**	(67,373)
Adjustments for:		
Tax on loss on ordinary activities	**(114)**	(1,860)
Net interest expense	**62**	11
Depreciation charges	**4,130**	5,884
Amortisation charges	**8,103**	11,206
Share based payment expense	**1,259**	2,237
Unrealised currency translation gains	**(7,809)**	-
Decrease in debtors	**1,323**	511
Decrease in stocks	**367**	738
Increase / (decrease) in creditors	**7,824**	(1,890)
Net cash outflow from operating activities	**(41,636)**	(50,536)

Major non-cash transactions

During the year the share based payment charge accrual was £1,259k (2015: £2,237k).

26 Related party transactions

During the year the Group received additional loan funding from existing shareholders amounting to £44,150k. The amounts outstanding at year end are shown in note 17. The payable outstanding at 31 December 2016 is secured against the Group's assets and is repayable on demand.

The Group had no loan amounts at the balance sheet date owing to Directors (2015: £30k).

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.
See note 9 for disclosure of the directors' remuneration and key management compensation.

Parent company

Other than the transactions disclosed above and in note 17, the Company's other related party transactions were with wholly owned subsidiaries and so have not been disclosed.

Notes to the financial statements for the year ended 31 December 2016 (continued)

27 Post balance sheet event

During June 2017 the Board agreed to extend the repayment date of the loan from majority shareholders of £232,760k to 30 June 2017.

Between January and June 2017, the Group received convertible bridging loans of £17,500k from its major existing shareholders.

On 25 January 2017, the Group incorporated a new entity in India, Truphone Solutions Private Limited, in which the Group holds a 49% interest.

28 Ultimate controlling party

Vollin Holdings Limited is the immediate controlling party of the Group; its immediate parent company, Whiteclif Enterprises Limited is the largest group to consolidate the financial statements of the Group.

Redrock Limited, a company incorporated in the British Virgin Islands, is the Group's ultimate controlling party.