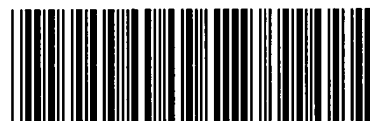


Truphone Limited
Group and Company Annual Report and Financial
Statements
For the year ended 31 December 2019

AMENDED ACCOUNTS

These accounts : (i) replace the original accounts for
the period ending 31 December 2019 ;
(ii) are now the statutory accounts; and
(iii) are prepared as they were at the date
of the original accounts.

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Truphone Limited

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Truphone Limited

Directors and Advisers

Directors

R Steffens
A De Cort
J Fletcher
M E Holmberg (Resigned on 10/06/2020)
G E S Robinson
Y Valler

Company Secretary

E Palmer (Appointed on 12/09/2019)

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

Truphone Limited

Strategic report for the year ended 31 December 2019

The Directors present their strategic report on the Group for the year ended 31 December 2019.

Business review

Business Description

Truphone (the "Group") serves global cellular software and connectivity markets and a variety of customer segments within these including business enterprises, mobile network operators, connected device manufacturers and individuals.

The Group has quickly developed a leadership position in 'eSIM' which is the successor technology to the traditional plastic SIM card used to connect devices to networks. eSIM is software based, enabling digital not physical connection to networks and is expected to become prevalent in connected devices (including handsets) over the next 3-5 years.

The Group previously created the world's first truly global mobile network that operates without country borders based on patented technology embedded in its SIM cards (physical and now eSIM). The Group uses this network to deliver connectivity services to customers allowing mobile phones to operate as local phones in an area of nine countries called the Truphone Zone, and to roam in over 200 other countries globally.

The Group has more recently developed a range of cellular software products and services which support eSIM deployment for mobile network operators, device makers and customers seeking to connect their internet of things ('IoT') device or application.

Strategic Focus

During 2019 the Group moved to a 'line of business' approach with separate go-to-market functions for Enterprise and eSIM markets supported by shared technical, operational and back office functions.

Enterprise Line of Business

The Enterprise line of business is focused on selling traditional cellular mobile services to business customers and mobile recording services ("Truphone Mobile Recording" or "TMR") to financial institutions. Service contracts with customers are typically based on minimum monthly revenue commitments for durations of between 24-36 months.

The Group's Enterprise customers include FTSE 100 and Fortune 500 companies, including many Tier 1 global investment banks. The Group's Truphone World plans can be enjoyed in a total of 116 countries or territories. These 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 Truphone Zone countries. During 2019, our Enterprise line of business:

- Launched the ninth Truphone Zone country, France. Truphone now offers 'always local' numbering tariffs across a contiguous European footprint including UK, Germany, France, Spain, the Netherlands and Poland in addition to the US, Hong Kong and Australia.
- Increased 4G service footprint from around 40 countries to over 100 countries as well as securing 4G service in Germany, meaning all nine Truphone Zone countries are now 4G enabled.
- Launched Wi-Fi calling and enabled voice over LTE (4G voice calling known as VoLTE) following investment in an IMS (a multi-media IP capability installed into our core network).
- Introduced eSIM for Enterprise, enabling one of our largest customers to enjoy the speed and convenience of real-time SIM provisioning for employees over the air.
- Onboarded our largest ever financial services customer and renewed two other large contracts further cementing global market leadership for TMR in Tier 1 investment banks: and delivered high levels of customer satisfaction based on Net Promoter Score customer surveys.

Truphone Limited

Strategic report for the year ended 31 December 2019 (continued)

eSIM Line of Business

During 2019, the eSIM line of business has made significant progress and exceeded expectations with almost 3m eSIM profiles distributed to end users. The eSIM line of business delivers:

- i) cellular software for eSIM, mainly to network operators and device makers ("**eSIM Software**"); and
- ii) cellular eSIM connectivity to IoT customers and individuals with eSIM enabled devices ("**eSIM Connectivity**").

Truphone **eSIM Software** comprises four products; Bootstrap, Remote (e)SIM Provisioning ("RSP"), Entitlement Server ("Entitlements") and Truphone SIM Operating System ("SIMos"). In turn:

Bootstrap:

- Bootstrap is a networking software capability which allows devices to automatically connect to cellular networks out of the box without a SIM card. Bootstrap is used by device makers and service providers to allow devices to register and authenticate as well as enabling data purchasing for ongoing use by the device.
- Bootstrap is the Group's fastest growing eSIM product based on a contract to support one of the largest device makers in the world. Truphone enables connection of their flagship tablet product directly out-of-the-box in over 190 countries.

RSP:

- RSP is the technology enabling mobile network operators to distribute eSIMs to their end user customers. As devices become eSIM enabled (nb: all Apple iPhones and iPads are now eSIM enabled), operators will use RSP to distribute eSIMs to end users.
- Truphone RSP secured accreditation from the GSM Association ("GSMA") for remote eSIM provisioning ("RSP") for both Consumer and M2M applications in 2018 and was recertified in 2019.
- Since product launch in late Q4 2018, the Group has won over twenty contracts with global mobile operators (who together manage around c.200m subscriber end users) to provide RSP.

Entitlements:

- Entitlement Server is the software technology which allows multiple devices to share the same network permissions or 'entitlement' in real time – for example a connected phone, tablet and watch.
- In the same way as for RSP, end users with multiple devices will require their mobile network operator to orchestrate these permissions via software and we expect a significant number of our RSP customers to become Entitlement Server customers.
- The Group recently won its first Entitlement Server customer who in turn was our first RSP customer.

SIMos:

- SIMos is at an early stage of monetisation but already our intellectual property (for the Truphone SIM operating system) is licensed for incorporation into new connected chipset modules.

Truphone Limited

Strategic report for the year ended 31 December 2019 (continued)

Truphone **eSIM Connectivity** comprises products to support machine based / internet of things ("IoT") and consumer applications ("Consumer"):

IoT:

- The Group already has several prestigious corporate customers with IoT use cases in industries as diverse as connected cameras, automotive, logistics, tracking and retail.
- Truphone solves problems for customers via a single managed solution with no requirement on the customer to integrate a complex supply chain. Truphone has created proprietary technology for IoT including:
 - a global eSIM, meaning a manufacturer can create a single stock keeping unit, knowing that it will connect wherever it is shipped;
 - the means to distribute that eSIM via RSP and if necessary, through Entitlement Server;
 - a connectivity platform which is shared with the Enterprise line of business;
 - an IoT management platform and customer portal allowing customers to manage their IoT estate in real time; and
 - during 2019, a cloud-based software instance dedicated to IoT management (SIM inventory register, usage rating & billing, and orchestration) delivering market leading unit costs.

Consumer:

- Truphone has created a best in class 'app' called 'My Truphone' which can be downloaded from the Apple app store or Android app store allowing end users to download an eSIM and buy data packages 'on the go'.
- This product has been downloaded and used in over 120 countries, and by the end of 2019 sold around 300k packages.
- In addition, the Group has developed the ability to integrate and support third parties to customise, rebrand and resell My Truphone to their own end customers offering instant scale market access.

Future Strategy

The Group has embarked on a two-year 'acceleration plan' for 2020 and 2021 supported by a successful rights issue completed in February 2020 raising £30,000k on an unconditional basis and a further £5,000k on a conditional basis. The essence of this plan is to scale up and exploit the strategic platform which has been created across our lines of business. The Group intends to invest in enhancements to its product technologies for Enterprise and eSIM which will accelerate customer acquisition and revenue growth. The Group also intends to increase its sales capability in eSIM and IoT to address global markets beyond the Truphone Zone. Finally, certain RSP opportunities may require us to expand our geographic footprint and we anticipate adding (based on customer demand) to our existing RSP network nodes located in the UK and Netherlands.

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.

Truphone Limited

Strategic report for the year ended 31 December 2019 (continued)

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.

General Data Protection Regulation

The General Data Protection Regulation 2016/679 came into force on the 25th of May 2018. It is a regulation in European Union law relating to data protection & privacy for all individuals within the European Union & the European Economic Area. The regulation also addresses the export of personal data outside the EU & EEA areas. In advance of this date, the Group undertook a comprehensive review, using third party consultants, of data management and processing and made the necessary improvements and modifications to ensure that personal information relating to European Union data subjects is managed by the Group in accordance with the new legislation. This includes effective processes to meet data subject requests, continued awareness of data protection and information security issues for staff, ongoing internal audits, and reporting any non-compliance to the appropriate authorities in each of the European Union countries in which the Group operates as prescribed by the legislation.

Results and dividends

The Group loss increased in the financial year to £16,013k (2018: loss of £4,146k). In 2018, the Group benefitted from a credit of £9,728k which related to the release from a supplier related financial obligation. Adjusting for the impact of this credit, the Operating Loss for the financial year increased by £1,760k. When excluding the year on year change on the translation of foreign currency (£2,331k), Operating Loss reduced by £571k.

In 2019, total turnover increased by 5% to £44,240k (2018: 9% increase to £42,162k).

- **Enterprise line of business** revenues were £40,446k (2018: £40,797k), comprised of £38,899k (2018: £39,296k) for provision of mobile and recording services to enterprise and TMR customers, and £1,547k (2018: £1,501k) for sale of handsets and devices.
- **eSIM line of business revenue** including sales in respect of IoT rose by 178% in 2019 to £3,794k (2018: £1,365k). eSIM Software revenue in 2019 accounted for £196k (2018: £nil). The balance of £3,595 (2018: £1,369) related to eSIM Connectivity revenue.

The Group continues to improve airtime, networking and overhead unit costs through a combination of procurement improvements together with technology transformation moving networking capabilities into the cloud. The Group maintains tight cost controls across all overhead activities whilst investing for growth. The eSIM line of business, whilst growing quickly, is early stage requiring investment. The Enterprise line of business saw a small reduction in revenue compared to the prior year but benefitted from lower costs of sale. This is reflected in the group gross profit result, which increased to £29,685k (2018: £25,615k).

The Directors do not recommend payment of a dividend (2018: £nil).

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.

Truphone Limited

Strategic report for the year ended 31 December 2019 (continued)

The Group focuses on the following financial and operational targets:

Key performance indicators

	2019	2018
Total Group turnover (£000)	44,240	42,162
Group loss before tax (£000)	15,844	4,314
Capital Investment (£000)	7,340	5,015
Number of operational countries	11	8
eSIM profiles distributed (Million profiles)	3	0

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.

CoVID19

As a cellular telecommunications business, the Group has played a key role ensuring customers remain connected during the pandemic. The Group has seen increased demand for services during this period together with significant growth in voice usage by Enterprise customers. Certain consumer use cases based on travel – representing approximately 1% of group turnover in 2019 - have been severely impacted. The Group has successfully moved to a remote working model with minimal business impact. The majority of Truphone's key suppliers are large telecoms operators who have also not been impacted. Similarly, delivery of service to Truphone's customers has also largely been unaffected.

The key risks and the mitigation strategies are as follows:

Business risks

Mitigation strategy

Loss of Enterprise customers	Continued enhancement of the Enterprise and TMR proposition including product development, additional market segments, expansion into new regions and competitive pricing.
Access to cellular technologies from operators	Host mobile operators across the Truphone Zone are launching 5G and Voice over LTE (VoLTE) services to their customers. The Group will seek timely access to these technologies to maintain competitiveness.
eSIM adoption slower than expected	Growth rates and future profitability of the eSIM line of business depends on industry adoption of eSIM. Connected devices are increasingly eSIM ready and a key pivot point will be the launch of eSIM only devices.
eSIM services do not grow	<p>Truphone has diversified with offerings throughout the eSIM (and IoT) value chain. Truphone is not dependent on a particular single product or IoT market segment and is well placed to succeed in multiple areas. Truphone recognises incumbents will compete for IoT business and has structured its portfolio to complement and enable traditional competitors.</p> <p>RSP and Entitlements are significant opportunities. Proprietary technology and GSMA certification maximises existing product competitiveness. Market adoption of eSIM will impact the speed at which contracts for RSP and Entitlements monetise.</p>

Truphone Limited

Strategic report for the year ended 31 December 2019 (continued)

Key risks and mitigation strategies (continued)

Operational risks	Mitigation strategy
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 & business continuity	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 processes to ensure 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

The Group undertakes detailed pricing analysis for all customer opportunities and authorises contracts be reference to a scheme of delegation which assesses opportunities on both a financial contract value and business risk basis.

Credit risk

The Group's customer base is comprised 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 11 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 11 countries and transacts in a number of local currencies. Foreign exchange translation gains and losses are included in the operating result.

The Group enjoys natural hedging from operating in the main global currency markets including the US, EU and UK. As such it 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.

Truphone Limited

Strategic report for the year ended 31 December 2019 (continued)

Statement by the Directors in performance of statutory duties S. 172 of the Companies Act 2006

The board of directors of Truphone Ltd consider both individually and collectively that they have acted in a way they consider in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, having regard to the stakeholders and matters sets out *The Companies Act 2006 s. 172 (1) (a-f)*, in decisions taken during the year to the year ended 31st December 2019.

1. Our TMR technology has a crucial role in providing regulatory authorities with a supervisory framework to increase the stability of the financial sector for the benefit of the wider national and international community. Truphone mobile recording and SMS recording services help financial institutions to comply with their regulatory obligations as provided for in MiFID II and the Dodd Frank Wall Street Reform Act. In developing our business strategy, the Directors of Truphone have in all their decisions sought to maintain the company's beneficial societal impact.
2. In taking all decisions, the Board of Directors have taken account of Truphone's impact on the environment with a business strategy that has both direct and indirect positive environmental consequences. Truphone is pioneering the development and deployment of the eSIM which has the potential to soon be the dominant technology for connecting devices securely to cellular networks. The eSIM has the potential to directly benefit the environment through the eradication of the need for production sale and distribution of 6 billion plastic SIMS and associated packages.
3. There are many significant indirect environmental benefits of the technology that Truphone is delivering. In deploying this new eSIM technology Truphone is pioneering the provisioning of data in a way that is carbon neutral and this has the potential for numerous ancillary commercial applications. Truphone furthermore has an important role to play in the development of the IoT eco-system. IOT is being used for "energy harvesting", IoT is being combined with Artificial Intelligence in agriculture enabling the more efficient use of pesticides. IOT is being used in waste management and recycling. IOT is now being used in forest fire detection, avalanche prevention, Earthquake Early Detection and hyper-local pollution sensing systems. IoT can significantly boost the commercial viability of renewable energy technologies.
4. Truphone's employees are fundamental to the delivery of our range of services. We aim to be a responsible employer and our approach to the pay, benefits, health and safety and well-being of our employees is one of our primary considerations in the way we do business
5. In all decisions made, the Board of Directors' intention is to behave responsibly and ensure that management continues to operate with the highest standards of business conduct and good governance that is expected for a business such as ours nurturing our reputation that reflects our responsible business conduct and ethos.
6. The Board of Directors has sought, in all decisions made, to behave responsibly towards our shareholders and treat them fairly and equally so they may continue to benefit from our sustained growth and success.

The factors set out in s. 172 of the Companies Act will continue to be key to all decisions taken by the Board of Directors of Truphone in the year to come.

On behalf of the Board



Ralph Steffens
Chief Executive Officer

Date: 4 September 2020

Truphone Limited

Directors' report for the year ended 31 December 2019

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2019.

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:

J Fletcher
R Steffens
A De Cort
M E Holmberg (Resigned on 10/06/2020)
G E S Robinson
Y Valler

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

Under an agreement dated 5 February 2020, the Group reached agreement with its shareholders, Vollin Holdings Limited and Minden Worldwide Ltd to underwrite an issue of ordinary shares which is open to all holders of the Group's ordinary shares (0.00001p ordinary).

The terms of the underwriting include an irrevocable commitment to purchase a total of 19,108,280 £0.00001 ordinary shares at a price of £1.57 per share, raising total shareholder capital of up to £30,000k.

Of the amount payable in 2020, £15,057k has been received to date (£5,095k was paid in February 2020 and a further £9,962k on 31 March 2020). The remaining £14,943k is payable no later than 31 December 2021.

A further £5,000k is conditional, payable in the event that further funding is required before 31 December 2021 by reference to the Group's liquidity position based on an agreed solvency formula.

Outlook

Enterprise Line of Business

The Group's Enterprise line of business strategy and plan for 2020 and 2021 anticipates delivering annual revenue growth of around 7% per annum. The plan includes:

- Addition of France as a new market for local and cross border selling. Marketing within our existing customer base began during 2019 and the launch customer in France is an existing German customer. The first local customer was signed in late 2019.
- A new product and rate plan for Enterprise customers featuring:
 - o Enhanced customer portal enabling remote management by customer administrators.
 - o New features to reduce risk of out of bundle charges for customers; and
 - o An end user application providing usage information in real time.

Truphone Limited

Directors' report for the year ended 31 December 2019 (continued)

- An enhanced TMR portfolio and the introduction of enterprise eSIM as customer estates migrate to eSIM enabled phones.

In addition the Group will also invest in technologies supporting our customer needs which in 2020 will include enabling our network for 5G, securing VoLTE in as many locations and networks as possible and continuing to upgrade the network and replace components reaching end of life.

eSIM Line of Business

The eSIM line of business is expected to grow strongly in 2020 as demand for the Group's products and services increases in line with market adoption of eSIM technology.

eSIM Software

Our strategy and plan for eSIM Software in 2020 and 2021 is based around an expectation that eSIM adoption will mirror eSIM enabled device adoption.

Bootstrap will continue to grow quickly reflecting relative maturity of this technology, but we expect other eSIM Software product revenue growth to be modest in 2020. In future years, growth is expected to increase as the physical SIM disappears. As such in the shorter term the Group will continue to focus on securing long-term contracts (which will be expected to delivering valuable future annuity revenue). This will be supported by:

- Ongoing investment in technology including the need to maintain security to the standards required for ongoing GSMA certification and to deliver required levels of network availability and service redundancy for customers.
- Investment in business processes (including service management and customer billing) to ensure the Group is able to manage the expected increase in user volumes, quickly growing from a low base to potentially hundreds of millions of eSIM end users each month; and
- Investment in global sales capability, addressing around 800 operators across the global who will require an RSP and entitlement capability.

Finally, we have also developed an ongoing innovation agenda for eSIM with a pipeline of patentable technology being created in-house.

eSIM Connectivity

Our strategy and plan for eSIM Connectivity in 2020 and 2021 reflects the success we have already enjoyed monetising customer use cases. We expect eSIM Connectivity revenues to grow quickly in 2020 and 2021, mainly through IoT which is adopting eSIM technology quickly. Growth potential in My Truphone services – which represented approximately 1% of group turnover in 2019 - is expected to be adversely impacted throughout 2020 by reduced international travel by consumers due to the Coronavirus pandemic.

Conclusion

In summary, the external commercial environment for the Enterprise line of business is expected to remain competitive in 2020 and beyond. Growth will be modest and requires ongoing investment to maintain differentiation. The market for eSIM products and services is expected to grow strongly in the future based on adoption rates. The Directors are confident that the business is well positioned for the future in all market segments due to the Group's unique and sustainable differentiation.

We will continue to invest in our eSIM and IoT capabilities taking advantage of our existing proprietary technology, scaling this for higher volume IoT based applications whether in RSP or traditional connectivity.

Truphone Limited

Directors' report for the year ended 31 December 2019 (continued)

Employees

See Strategic Report for employee involvement and equal opportunities and disabilities policies.

Going concern

For the year ended 31 December 2019, the Group made a loss for the financial year of £16,013k (2018: £4,146k). The Company made a loss for the financial year of £24,902k (2018: loss of £14,379k).

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

- the Group's post year end actual performance and board approved forecast for the period to 31 December 2021 is fully funded including substantial contingency following the successful underwriting (based on an agreement signed on 5 February 2020) of an issue of ordinary shares which will raise up to £35,000k. Of the £35,000k, £15,000k has been received by 31 March 2020, £15,000k is irrevocably committed and a further £5,000k is receivable in full in the event that either cash or net current assets fall below a specified level at each month end from 5 February 2020 to 31 December 2021; and
- the existing shareholders have also indicated a willingness to provide further funding, on an uncommitted basis on terms consistent with the existing underwriting, to meet other requirements for example, accelerated expansion or new investment projects.

The Directors will continue to closely monitor and plan business priorities to optimise cash utilisation and to sustain operational continuity. Given all the above, the Directors therefore consider it appropriate to prepare financial statements for the year ended 31 December 2019 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 Annual Report and the financial statements in accordance with applicable law and regulation. 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.

Truphone Limited

Directors' report for the year ended 31 December 2019 (continued)

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

The directors are also 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.

Directors' Confirmations

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

- so far as the director is aware, there is no relevant audit information of which the group 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: 4 September 2020

Independent auditors' report to the members of Truphone Limited

Report on the audit of the financial statements

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 2019 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 (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Group and Company Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 December 2019; the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity, the company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 11, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Gareth Murfitt (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
4th September 2020

Truphone Limited

Consolidated profit and loss account for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Turnover	4	44,240	42,162
Cost of sales		(14,555)	(16,547)
Gross profit		29,685	25,615
Administrative expenses		(45,247)	(39,512)
Other operating income		18	-
Restructuring costs		(240)	(127)
Release of onerous supplier provision		-	9,728
Operating loss	5	(15,784)	(4,296)
Loss before interest and taxation		(15,784)	(4,296)
Interest receivable and similar income	8	16	38
Interest payable and similar expenses	9	(76)	(56)
Loss before taxation		(15,844)	(4,314)
Tax on loss	10	(169)	168
Loss for the financial year		(16,013)	(4,146)

All amounts relate to continuing operations.

Consolidated statement of comprehensive income for the year ended 31 December 2019

	2019 £000	2018 £000
Loss for the financial year	(16,013)	(4,146)
Other comprehensive income / (expense)		
Exchange gains / (losses) on translation of foreign operations	1,284	(1,161)
Total other comprehensive gain / (loss), net of tax	1,284	(1,161)
Total comprehensive expense for the year	(14,729)	(5,307)

Truphone Limited

Consolidated and company balance sheets as at 31 December 2019

	Note	Group		Company	
		2019	2018	2019	2018
		£000	£000	£000	£000
Fixed assets					
Intangible assets	11	8,405	7,083	8,213	6,156
Tangible assets	12	3,546	2,223	3,354	1,986
Investments	13	-	-	101	1,097
		11,951	9,306	11,668	9,239
Current assets					
Stocks	14	159	111	112	94
Debtors: amounts falling due within one year	15	12,321	22,407	5,057	22,454
Debtors: amounts falling due after more than one year	16	1,086	1,347	583	788
Cash at bank and in hand		4,648	5,756	2,284	2,936
		18,214	29,621	8,036	26,272
Creditors: amounts falling due within one year	17	(16,842)	(18,279)	(17,104)	(15,905)
Net current assets / (liabilities)		1,372	11,342	(9,068)	10,367
Total assets less current liabilities		13,323	20,648	2,600	19,606
Creditors: amounts falling due after more than one year	18	(1,778)	-	(1,511)	-
Provisions for liabilities	20	(1,526)	(1,868)	(982)	(497)
Net assets		10,019	18,780	107	19,109
Capital and reserves					
Called up share capital	21	3	3	3	3
Share premium account	21	507,717	501,717	507,717	501,717
Profit and loss account		(497,701)	(482,940)	(507,613)	(482,611)
Total shareholders' funds		10,019	18,780	107	19,109

The Company's profit and loss account shows a loss for its financial year of £24,902k (2018: £14,379k).

The financial statements on pages 15 to 47 were approved by the board of Directors on and were signed on its behalf by:



Ralph Steffens
Chief Executive Officer

Date: 4 September 2020

Group Registered No: 04187081

Truphone Limited

Consolidated statement of changes in equity for the year ended 31 December 2019

Group		Called up share capital	Share premium account	Profit and loss account	Total shareholders' (deficit) / funds
	Note	£000	£000	£000	£000
As at 1 January 2018		2	483,718	(477,743)	5,977
Loss for the financial year		-	-	(4,146)	(4,146)
Exchange losses on translation of foreign operations		--	--	(1,161)	(1,161)
Total comprehensive loss for the year		-	-	(5,307)	(5,307)
Share based payment services provided	23	-	-	110	110
Net Proceeds from share issue	21	1	17,999	-	18,000
As at 31 December 2018		3	501,717	(482,940)	18,780
Loss for the financial year		-	-	(16,013)	(16,013)
Exchange gains on translation of foreign operations		-	-	1,284	1,284
Total comprehensive loss for the year		-	-	(14,729)	(14,729)
Share based payment services provided	23	-	-	(32)	(32)
Net Proceeds from share issue	21	-	6,000	-	6,000
As at 31 December 2019		3	507,717	(497,701)	10,019

Truphone Limited

Company statement of changes in equity for the year ended 31 December 2019

Company	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' (deficit) /funds £000
As at 1 January 2018	2	483,718	(468,252)	15,468
Loss for the financial year	-	-	(14,379)	(14,379)
Total comprehensive loss for the year	-	-	(14,379)	(14,379)
Share based payment services provided	-	-	20	20
Net proceeds from share issue	1	17,999	-	18,000
As at 31 December 2018	3	501,717	(482,611)	19,109
Loss for the financial year	-	-	(24,902)	(24,902)
Total comprehensive loss for the year	-	-	(24,902)	(24,902)
Share based payment services provided	-	-	(100)	(100)
Net proceeds from share issue	-	6,000	-	6,000
As at 31 December 2019	3	507,717	(507,613)	107

Truphone Limited

Consolidated statement of cash flows for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Net cash inflow / (outflow) from operating activities	27	(12,460)	(8,690)
Net taxation (paid) / received		(83)	155
Net cash generated from / (used in) operating activities		(12,543)	(8,535)
Cash flow from investing activities			
Interest received		16	38
Purchase of subsidiary (net of cash acquired)		-	(310)
Purchase of intangibles		(4,667)	(3,312)
Purchase of tangible fixed assets		(2,839)	(1,703)
Proceeds from disposals of intangible assets		-	261
Net cash used in investing activities		(7,490)	(5,026)
Cash flow from financing activities			
Interest paid		(76)	(56)
Net proceeds from issue of ordinary share capital		19,000	5,000
Net cash generated from financing activities		18,924	4,944
(Decrease) in cash and cash equivalents		(1,109)	(8,617)
Cash and cash equivalents at 1 January		5,756	14,373
Effect of foreign exchange rate changes		1	-
Cash and cash equivalents at 31 December		4,648	5,756

	2019 £000	2018 £000
Cash and cash equivalents consist of:		
Cash at bank and in hand	4,648	5,756
Cash and cash equivalents	4,648	5,756

Truphone Limited

Notes to the financial statements for the year ended 31 December 2019

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 the United Kingdom. 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 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 2019, the Group made a loss for the financial year of £16,013k (2018: £4,146k). The Company made a loss for the financial year of £24,902k (2018: loss of £14,379k).

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

- the Group's post year end actual performance and board approved forecast for the period to 31 December 2021 is fully funded including substantial contingency following the successful underwriting (based on an agreement signed on 5 February 2020) of an issue of ordinary shares which will raise up to £35,000k. Of the £35,000k, £15,000k has been received by 31 March 2020, £15,000k is irrevocably committed and a further £5,000k is receivable in full in the event that either cash or net current assets fall below a specified level at each month end from 5 February 2020 to 31 December 2021; and
- the existing shareholders have also indicated a willingness to provide further funding, on an uncommitted basis on terms consistent with the existing underwriting, to meet other requirements for example, accelerated expansion or new investment projects.

In response to COVID, Truphone has successfully moved to a remote working model with minimal business impact. The evolving global situation is being closely monitored and return to office strategies are being considered in line with local regulation and guidance. The overall impact on trading has been modest with increased sales driven by customer business continuity needs offset by a decline in travel-related revenue streams. The Company continues to actively manage its cash position and the Directors do not anticipate any significant long-term impact on the business.

Truphone Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

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 2019 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 2019. 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 £24,902k (2018: £14,379k).

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.

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 2019 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.

Truphone Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

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

Enterprise

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 prepaid value has been consumed or expired. Additional data or minutes used in excess of contracted amounts is recognised monthly based on actual usage.

eSIM

eSIM turnover can be divided into B2C ("Business to Consumer") and B2B ("Business to Business"). B2B sales are recognised throughout the periods to which they relate. B2C sales are non-refundable prepaid plans with a short fixed-term, therefore revenue is recognised at the point of sale.

Cost of Sales

Cost of sales comprises amounts paid for mobile telecommunications services included voice, SMS and data transactions, excluding value added tax and other sales related taxation. In addition, where the Group has entered into minimum spend commitments, any shortfall between contracted minimum spend and usage is recognised. Costs are recognised as usage is incurred; any additional minimum spend commitments are recognised over the period of the contract.

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

Truphone Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

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 expected 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.

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,

Truphone Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

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 development 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:

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

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.

Truphone Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

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.

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.

Truphone Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

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.

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.

Truphone Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

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

Capitalised development costs

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.

Truphone Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

4 Turnover

The turnover of the Group has been wholly derived from its principal activities. The Group's operating segments are established on the basis of those components of the Group that are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Group's segments reflect the product families that serve Truphone's customer groups. The product families generate substantially all of the Group's revenue.

Turnover is analysed as follows:

Geographical analysis by destination

	2019	2018
	£000	£000
Europe	29,920	29,339
North America	11,110	9,613
Asia Pacific	3,210	3,210
Total	44,240	42,162

Analysis of turnover by category

	2019	2018
	£000	£000
Enterprise	40,446	40,797
eSIM Connectivity	3,599	1,365
eSIM Software	195	-
Total	44,240	42,162

Truphone Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

5 Operating loss

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

	2019 £000	2018 £000
Amortisation – owned assets (note 11)	2,926	2,995
Depreciation – owned assets (note 12)	1,412	1,535
Profit on disposal of fixed assets	31	261
Operating lease charges – land and buildings	3,863	3,638
Research and development expenditure	787	228
Onerous supplier contract provision released	-	(9,728)
Inventory recognised as an expense	1,548	1,702
Fees payable to the auditors for the audit of the consolidated Group entities' annual financial statements	119	106
Fees payable to the Company's auditors and their associates for other services:		
Audit of the Company's subsidiaries	20	6
Tax compliance	31	18
Loss/(gain) on translation of foreign currency	1,441	(890)

6 Employees

Group staff costs, including amounts capitalised (note 11) were:

	2019 £000	2018 £000
Wages and salaries	21,663	19,581
Social security costs	3,199	2,998
Other pension costs (see note 22)	361	512
(Credit) / charge associated with share -based payments (see note 23)	(32)	110
	25,191	23,201

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

Truphone Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

6 Employees (continued)

	2019 Number	2018 Number
Sales	41	33
Operations	282	286
Administration	74	76
	397	395

7 Directors' emoluments

	2019 £000	2018 £000
Aggregate emoluments	858	798
Company contributions to defined contribution pension schemes	22	43
	880	841

At 31 December 2019 there was one Director to whom retirement benefits under a defined contribution scheme were accruing (2018: one). During the year, there were nil (2018: nil) Directors who purchased Ordinary shares of the Group.

Highest paid director:

	2019 £000	2018 £000
Aggregate emoluments	858	798
Company contributions to defined contribution pension schemes	22	43
	880	841

The highest paid director did not exercise share options in 2019 (2018: no shares exercised).

8 Interest receivable and similar income

	2019 £000	2018 £000
Interest receivable on bank account	16	38

Truphone Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

9 Interest payable and similar expenses

	2019	2018
	£000	£000
Interest payable on overdrafts and bank charges	76	56

10 Tax on loss

	2019	2018
	£000	£000
Current tax		
Adjustments in respect of prior periods	255	(156)
Research and Development expenditure credit	(256)	-
	(1)	(156)
Foreign tax		
Corporation taxes	170	(12)
Total tax expense / (credit)	169	(168)

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2019 (2018: £nil).

The income tax credit for the year differs (2018: differs) from the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are reconciled below.

	2019	2018
	£000	£000
Loss before taxation	(15,844)	(4,314)
Loss before taxation multiplied by the standard rate of tax in the UK of 19% (2018: 19%)	3,010	820
Effects of:		
Expenses not deductible for tax purposes	(5)	(2)
Income not taxable	87	1,848
Accelerated capital allowances and other timing differences	(65)	117
Current tax losses for which no deferred tax asset was recognised	(3,027)	(2,783)
Adjustments in respect of prior periods	(255)	156
Research and Development expenditure credit	256	-
Adjustment in respect of foreign taxes	(170)	12
Total tax expense / (credit) for year	(169)	168

Truphone Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

10 Tax on loss (continued)

Deferred taxation

The Group has an unrecognised deferred tax asset of £76,685k (2018: £70,909k) 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 (2018: £nil).

Factors that may affect future tax charges

At Budget 2020, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%. The deferred tax assets and liabilities of UK companies within the Group have therefore been calculated at 19%.

11 Intangible assets

Group

	Telecom licences	Goodwill	Development costs	Total
	£000	£000	£000	£000
Cost				
At 1 January 2019	241	7,278	46,339	53,858
Additions	-	-	4,582	4,582
Foreign exchange adjustment	(7)	(38)	(42)	(87)
At 31 December 2019	234	7,240	50,879	58,353
Accumulated amortisation				
At 1 January 2019	231	6,615	39,929	46,775
Amortisation for the year	10	317	2,599	2,926
Impairment	-	317	-	317
Foreign exchange adjustment	(7)	(9)	(54)	(70)
At 31 December 2019	234	7,240	42,474	49,948
Net book amount				
At 31 December 2019	-	-	8,405	8,405
At 31 December 2018	10	663	6,410	7,083

During the year the company has fully impaired the goodwill which was recorded as a result of acquisition of Cellnetrix group of companies.

Truphone Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

11 Intangible assets (continued)

Company

	Goodwill	Development costs	Total
	£000	£000	£000
Cost			
At 1 January 2019	3,710	45,854	49,564
Additions	-	4,582	4,582
At 31 December 2019	3,710	50,436	54,146
Accumulated amortisation			
At 1 January 2019	3,710	39,698	43,408
Amortisation for the year	-	2,525	2,525
At 31 December 2019	3,710	42,223	45,933
Net book amount			
At 31 December 2019	-	8,213	8,213
At 31 December 2018	-	6,156	6,156

Truphone Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

12 Tangible assets

Group			
	Computer equipment and fixtures and fittings	Leasehold improvements	Total
	£000	£000	£000
Cost			
At 1 January 2019	25,997	1,612	27,609
Additions	2,753	5	2,758
Disposals	-	-	-
Foreign exchange adjustment	(68)	(12)	(80)
At 31 December 2019	28,682	1,605	30,287
Accumulated depreciation			
At 1 January 2019	23,863	1,523	25,386
Charge for the year	1,351	61	1,412
Disposals	-	-	-
Foreign exchange adjustment	(47)	(10)	(57)
At 31 December 2019	25,167	1,574	26,741
Net book amount			
At 31 December 2019	3,515	31	3,546
At 31 December 2018	2,134	89	2,223

Truphone Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

12 Tangible assets (continued)

Company	Computer equipment and fixtures and fittings £000	Leasehold improvements £000	Total £000
Cost			
At 1 January 2019	22,823	1,104	23,927
Additions	2,664	-	2,664
Disposals	-	-	-
At 31 December 2019	25,487	1,104	26,591
Accumulated depreciation			
At 1 January 2019	20,889	1,052	21,941
Charge for the year	1,262	34	1,296
Disposals	-	-	-
At 31 December 2019	22,151	1,086	23,237
Net book amount			
At 31 December 2019	3,336	18	3,354
At 31 December 2018	1,934	52	1,986

Truphone Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

13 Investments

Company	
Shares in subsidiary undertakings	£000
Cost	
At 1 January 2019	4,990
Additions	52
At 31 December 2019	5,042
Provision	
At 1 January 2019	3,893
Additions	1,048
At 31 December 2019	4,941
Net book amount	
At 31 December 2019	101
At 31 December 2018	1,097

The £52k (2018: £350k) of additions is from further investment in Truphone Pte Ltd. The investment in the Cellnetrix group of companies has been impaired by £1,048 (2018: £Nil) and reduced to net asset value.

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 Limited	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. Emilii Plater 53, 00-113 Warsaw, 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 Brandschenkestrasse 24 8027, 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%

Truphone Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

13 Investments (continued)

Startel Communications Co Pty Ltd	Melbourne ²	Provision of services	100%
Brizpark Pty Ltd	Melbourne ²	Dormant	100%
Truphone Pty Ltd	Melbourne ²	Provision of services	100%
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.	Avenida de Europa 24 Edificio Torona B, Planta baja D Alcobendas, 28108, Madrid, Spain	Provision of services	100%
Tru Pte Ltd*	Singapore ³	Dormant	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	Dormant	100%
Truphone B.V.	Proostwetering 41, 3543 AC Utrecht, Netherlands	Provision of services	100%
Truphone GmbH	Mergenthalerallee 79-81, 65760 Eschborn, Germany	Provision of services	100%
TruRecord Limited	London ¹	Provision of services	100%
Truphone Solutions Private Limited	1203 One Indiabulls Centre, Tower 2, Floor 12B, 841 Senapati Bapat Marg, Elphinstone Road, Mumbai, 400013, India	Dormant	49%
Cellnetrix GmbH***	Holstenkamp 54, 22525 Hamburg, Germany	Provision of services	60%
Cellnetrix Technology LLC	313A Yablonevaya Lane, City of Zelenograd, 124482 Moscow, Russia	Provision of services	100%
Truphone (Ireland) Ltd	24-26 City Quay, Dublin 2 DO2 NY19, Ireland	Dormant	100%
Truphone France S.A.R.L	29 Rue du Pont, 92200 Neuilly-Sur-Seine, France	Dormant	100%
Truphone S.r.l.	Via Melchoirre Gioia 8 20124, Milano, Italy	Dormant	100%
Truphone, Mobilne Tekelomunikacije d.o.o.	Linhartova Cesta 11A 1000 Ljubljana, Slovenia	Dormant	100%

* Not a direct holding of the Company.

** Not a direct holding of the Company, however the Company has 100% control.

*** 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.

Truphone Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

14 Stocks

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Cellular stock	159	111	112	94

The stocks expensed during the year were £1,548k (2018: £1,705k).

15 Debtors: amounts falling due within one year

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Trade debtors	7,449	4,800	2,799	1,379
Amounts owed by Group undertakings	-	-	-	6,138
Other debtors	301	13,284	51	13,015
Other taxation and social security	1,181	1,126	-	-
Prepayments and accrued income	3,390	3,197	2,207	1,922
	12,321	22,407	5,057	22,454

Trade debtors are stated after provisions for impairment of £1,640k (2018: £1,722k).

Amounts owed by the Group undertakings are unsecured and have no fixed date of repayment, as at 31 December 2019. All amounts owed by Group undertakings have been fully impaired in Truphone Ltd.

Other debtors include £Nil (2018: £12,986k) of deferred consideration relating to the share issue in October 2018.

16 Debtors: amounts falling due after more than one year

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Other debtors	1,086	1,347	583	788

This relates to supplier Deposits and Letters of Credit.

Truphone Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

17 Creditors: amounts falling due within one year

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Trade creditors	2,500	1,979	1,568	1,122
Amounts owed to Group undertakings	-	-	8,779	6,920
Taxation and social security	2,110	2,049	417	637
Other creditors	93	250	-	257
Accruals and deferred income	12,139	14,001	6,340	6,969
	16,842	18,279	17,104	15,905

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

18 Creditors: amounts falling due after more than one year

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Accruals	1,778	-	1,511	-

This represents bonus accrual not payable for at least 12 months from the balance sheet date.

19 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.

Truphone Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

20 Provisions for liabilities

Group

	Onerous suppliers £000	Onerous leases £000	Other £000	Total £000
At 1 January 2019	1,669	199	-	1,868
Utilised in the year	(591)	-	-	(591)
Unused amounts reversed to the profit and loss account	(901)	-	-	(901)
Charged to the profit and loss account	1,029	-	121	1,150
At 31 December 2019	1,206	199	121	1,526

Company

	Onerous suppliers £000	Onerous leases £000	Other £000	Total £000
At 1 January 2019	372	125	-	497
Utilised in the year	-	-	-	-
Unused amounts reversed to the profit and loss account	(374)	-	-	(374)
Charged to the profit and loss account	735	3	121	859
At 31 December 2019	733	128	121	982

Onerous 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.

Other

This represents the expected cost, as at the balance sheet date, of all probable outflows of uncertain timing or amount, excluding those related to onerous supplier contracts and onerous leases.

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

Truphone Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

21 Called up share capital

Group and Company

	2019 £000	2018 £000
Allotted, called up and fully paid		
261,328,434 Ordinary shares of £0.00001 each (2018: 257,506,778 Ordinary shares of £0.00001 each)	3	3
760 B Ordinary shares of £0.00001 each (2018: 760 B Ordinary shares of £0.00001 each)	-	-
14,397 D Ordinary shares of £0.00001 each (2018: 14,397 D Ordinary shares of £0.00001 each)	-	-
	3	3

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 23.

Share premium account

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

At 31 December 2019 Share premium account stood at £507,717k (2018: £501,717k)

22 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 £361k (2018: £512k) paid into defined contribution pension schemes. There is an accrual at the year-end of £19k (2018: £33k).

Truphone Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

23 Share-based payments

At 31 December 2019 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 is shown below:

	2019		2018	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at start of year	43,400	£8.64	43,400	£8.64
Granted	-	-	-	-
Forfeited	(200)	£8.64	-	-
Exercised	-	-	-	-
Expired	(4,700)	£8.64	-	-
Outstanding at end of year	38,500	£8.64	43,400	£8.64
Exercisable at end of year	38,500	£8.64	43,400	£8.64

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:

	2019		2018	
Actual exercise price	Number of shares	Weighted average remaining contractual life (years)	Number of shares	Weighted average remaining contractual Life (years)
£8.64	38,500	0.4	43,400	1.4

The total charge for the year relating to employee share based payment plans was £nil (2018: £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.

Truphone Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

23 Share-based payments (continued)

Share options – Scheme 2 Unapproved

At 31 December 2019, 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 2019 is shown below:

	2019		2018	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at start of year	1,495,000	£2.00	1,676,667	£2.00
Granted	-	-	-	-
Forfeited	(160,000)	£2.00	(181,667)	£2.00
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at end of year	1,335,000	£2.00	1,495,000	£2.00
Exercisable at end of year	1,335,000	£2.00	1,495,000	£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:

	2019		2018	
Actual exercise price	Number of shares	Weighted average remaining contractual life (years)	Number of shares	Weighted average remaining contractual Life (years)
£2.00	1,335,000	5.2	1,495,000	5.7

The total (credit)/charge for the year relating to employee share based payment plans was £(32)k (2018: £110k), all of which related to equity-settled share-based payment transactions. After deferred tax, the total charge was £(32)k (2018: £110k).

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.

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.

Truphone Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

23 Share-based payments (continued)

A reconciliation of option movements over the year ended 31 December 2019 is shown below:

	2019		2018	
	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 (2018: £nil). The Group has provided for social security contributions at a rate of 13.8%. After social security contributions, the total charge was £nil (2018: £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 £20k. The total charge for the year relating to the B Ordinary shares was £nil (2018: £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.

24 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 2019 amounted to £29,377k (2018: £21,783k).

Truphone Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

25 Contingent Liabilities

The Group entered into supplier contract in 2017 which it has subsequently terminated pursuant to rights reserved. The supplier has indicated that an additional amount of £1,607k remains due under this contracted, which the Group disputes based on external legal advice.

26 Financial commitments

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

	2019 Land and buildings £000	2018 Land and buildings £000
Within one year	2,908	3,488
Within two to five years	3,617	2,412
	6,525	5,900

27 Notes to the consolidated statement of cash flows

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

	2019 £000	2018 £000
Loss for the financial year:	(16,013)	(4,146)
Adjustments for:		
Tax on loss	169	(168)
Net interest expense	60	19
Depreciation charges	1,412	1,535
Amortisation charges	2,926	2,995
Profit on disposal of intangible assets	-	(291)
Share based payment (income) / expense	(32)	110
Unrealised currency translation losses / (gains)	1,601	(1,190)
Decrease / (increase) in debtors	(5,263)	(2,035)
Release of Supplier Contract Provision	-	(9,728)
Increase in stocks	(49)	(23)
Increase in creditors	2,729	4,232
Net cash inflow / (outflow) from operating activities	(12,460)	(8,690)

Major non-cash transactions

During the year the share-based payment charge accrual was £(32k) (2018: £110k).

Truphone Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

28 Related party transactions

Under an agreement dated 5th February 2020 the group reached agreement with its shareholders, Vollin Holdings Limited and Minden Worldwide Ltd to underwrite an issue of ordinary shares (0.001p ordinary).

The terms of the underwriting included an irrevocable commitment to purchase a total of 19,108,280 £0.00001 Ordinary shares at a price of £1.57 per share raising total shareholder capital of up to £30,000k. The share will be fully paid up on issue of the following basis:

- £5,000k was received in February 2020 and £10,000k was received in March January 2020.
- A further £15,000k is due in 3 instalments on 30 June 2020 (£5,000k), 31 January 2021 (£5,000k) and 30 June 2021 (£5,000k).
- £5,000k is conditional payable in the event that either cash or net current assets fall below a specified level before 31 December 2021. The threshold are net current assets (<£2,000k) or cash balance (<£3,000k) which are assessed at each month end between 28 February 2020 8 and 31 December 2021.

The Group had no loan amounts at the balance sheet date owing to Directors (2018: £nil).

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.

29 Post balance sheet events

Under an agreement dated, the Group reached agreement with its shareholders, Vollin Holdings Limited and Minden Worldwide Ltd to underwrite an issue of ordinary shares which is open to all holders of the Group's 'B' shares (0.001p ordinary). The terms of the underwriting include an irrevocable commitment to purchase a total of 19,108,280 £0.00001 ordinary shares at a price of £1.57 per share, raising total shareholder capital of up to £30,000k.

Of the amount payable in 2020, £15,000k has been received to date (£5,000k was paid in February 2020 and a further £10,000k on 31 March 2020). The remaining £15,000k is payable no later than 31 December 2020.

A further £5,000k is conditional, payable in the event that further funding is required before 31 December 2021 by reference to the Group's liquidity position based on an agreed solvency formula.

COVID-19

The COVID-19 outbreak has developed rapidly in 2020. Measures taken by various governments to contain the virus have affected economic activity and the group's business in various ways. The Group considers it a non-adjusting post balance sheet event but it has been assessed in relation to the going concern assessment in note 2.

Truphone Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

30 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.