Truphone Limited

Annual Report and Financial Statements

For the year ended 31 December 2020

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Directors and Advisers

Directors

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

Company Secretary

E Palmer (resigned on 28 August 2020)
R Chapman (appointed on 15 September 2020)

Independent Auditors

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

Bankers

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Strategic Report
for the year ended 31 December 2020

The Directors present their strategic report on the Group for the year ended 31 December 2020.

Business review

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

The Group has 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 2-5 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. Reporting is on a consistent basis in 2020.

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 2020, our Enterprise line of business:

- Faced challenges because of Covid-19 lockdown in most markets, both in terms of significant reductions in sales of roaming add-ons for existing customers and a downturn in new logo acquisition as procurement programs were suspended.
- Increased focus on multi-county global service deals, which majored on Truphone's unique value proposition enabling acquisition of some large multi-county enterprise accounts.
- Acquired the first exclusively eSIM delivered enterprise customer, service for whom was implemented seamlessly across 7 countries.
- Experienced a very significant increase in TMR traffic and user numbers, as the global financial markets saw Trade Floor activity move to remote working.
- Renewed two of its largest TMR accounts during this volatile trading period.

eSIM Line of Business

During 2020, the eSIM line of business made significant progress and exceeded expectations with c6 million eSIM profiles distributed to end users, an increase of 100% over 2019. The eSIM line of business delivers:

- Cellular software for eSIM, mainly to network operators and device makers ("**eSIM Software**"); and
- Cellular eSIM connectivity to IoT customers and consumers 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 normal 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 (by eSIM profile) 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. In Q4 2020, we extended this contract for an additional 3 years on current terms and added the USA as (one of) the last remaining countries to supply. This is anticipated to provide a volume uplift of around 20% from July 2021.

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, Watches and cellular iPads are now eSIM enabled), operators will use RSP to distribute eSIMs to end users.
- Truphone's RSP has secured and maintained (via annual audit) full accreditation from the GSM Association ("GSMA") for remote eSIM provisioning ("RSP") for both Consumer and M2M applications and extended the service to two data centres in 2020 (providing valuable service redundancy cover). A third site has been certified in July 2021.
- Since product launch in late Q4 2018, the Group has won over 40 contracts with global mobile operators (who together manage around c.320m subscriber end users) to provide RSP.

Entitlements:
- Entitlements Server is the software technology which allows mobile operators to perform over-the-air configuration of multiple mobile devices.
- Most smartphone devices (including those manufactured by Apple, Google, and Samsung) support Entitlements to automatically setup a device for the end user and their chosen mobile operator (for example, to setup VoWifi or VoLTE on a connected phone, configure tethering on a tablet and/or setup a companion device such as a smart 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.

SIMos:
- SIMos is the operating system for securely storing and managing the network credentials and applications of mobile operators on a mobile device.
- Truphone's SIMos is hardware agnostic and designed to run on multiple form factors. It has been fully qualified with the GSMA requirements for M2M eUICC and Consumer eUICC implementations.
- SIMos is at an early stage of monetisation but already our intellectual property (for the Truphone SIM operating system) is licensed for incorporation into removable SIM, eSIM and iSIM solutions.

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 manage devices, if necessary, through Entitlements Server;
    - a core network which is shared with the Enterprise line of business; and
    - a cloud-based connectivity management platform (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'..
- In Q4 2020 a service called Family Set Up was added for the Apple Watch meaning that Truphone connectivity services are now available on iPhone, iPad, and Watch.
- These products have been downloaded and used in over 120 countries, and by the end of 2020 had sold around 200k packages.
- In addition, the Group has developed Truphone Connect which gives any application the ability to integrate and support eSIM connectivity for their customers via their own brand with the benefit of instant scale market access.

In 2020, total turnover increased by **6%** to **£46,963k** (2019 **5%** increase to **£44,104k**).

- **Enterprise line of business revenues** were £41,411k (2019: £40,446k), comprised of £40,911k (2019: £38,899k) for provision of mobile and recording services to enterprise and TMR customers, and £500k (2019: £1,547k) for sale of handsets and devices.

- **eSIM line of business revenue** including sales in respect of IoT rose by 52% in 2020 to £5,552k (2019: £3,658k). eSIM Software revenue in 2020 accounted for £869k (2019: £195k). The balance of £4,683k (2019: £3,463k) related to eSIM Connectivity revenue.

Future Strategy

The Group 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.

In 2020 and the first half of 2021, COVID impact resulted in lower investment and lower revenue growth than originally planned. COVID continues to impact the business in terms of reduced demand for Enterprise and eSIM services and in labour market impacts (including lockdowns) in certain key geographies.

The essence of the original acceleration plan was to scale up and exploit the strategic platform which has been created through investment in enhancements to its product technologies for Enterprise and eSIM, increases in sales capability in eSIM and IoT to address global markets beyond the Truphone Zone, and platform investment as required to expand the geographic footprint for RSP / Entitlement in support of international opportunities.

The Group will continue to pursue expansion and accelerate further subject to funding availability and as market conditions dictate.

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 aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group. If members of staff become disabled the Group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

The Group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly through quarterly All Hands meetings and annual employee surveys, so that their views can be considered 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 decreased in the financial year to £16,010k (2019: loss of £16,689k).

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 still at an investment stage. The Enterprise line of business saw an increase in revenue compared to the prior year and benefitted from lower costs of sale. This is reflected in the group gross profit result, which increased to £31,460k (2019: £29,549k).

The Directors do not recommend payment of a dividend (2019: £nil).

Accounting transition to IFRS and FRS 101

During the year the Group (Truphone Limited and its subsidiaries) transitioned from FRS 102 to International Financial Reporting Standards "IFRS," for the Consolidated financial statements. The Company, (Truphone Limited) has transitioned from FRS 102 to FRS 101 - Reduced Disclosure Framework for the Company financial statements. Truphone has taken advantage of the disclosure exemptions allowed under this standard.

During the adoption of IFRS, the impact of the adoption of these standards was as follows on the consolidated financial statements:

The adoption of IFRS 9 required the adoption of the "expected credit loss" model, which requires the recognition of expected forward credit losses, calculated by taking into account past events, current conditions and forecast information. This replaces the "incurred loss" model used when reporting under FRS 102, which required recognition of credit losses only when evidence of credit loss was apparent.

The adoption of IFRS 15 required the recognition of revenue by applying the 5-step model: identifying the contract; identifying separate performance obligations; determination of the transaction price; allocation of the transaction price; recognition of revenue as the promised goods or services are delivered to the end customer.

The adoption of IFRS 16 eliminates the distinction between operating and finance leases, which existed under FRS 102, and instead requires the recognition of a "right-of-use" lease asset and lease liability for all identified leases.

The impact of the adoption of the amendments to IAS 1 was to disclose other comprehensive income which can be reclassified to profit and loss separately from other comprehensive income which cannot be recycled to profit and loss.

The largest impact of the transition to IFRS is in relation to IFRS 16 which requires recognising lease assets and the associated liability on the balance sheet. Details of the impact are detailed in note 3 to the financial statements.

Key financial and other performance indicators

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

The Group focuses on the following financial and operational targets:

Key performance indicators

	2020	2019
Total Group turnover (£000)	**46,963**	44,104
Group loss before tax (£000)	**16,010**	16,689
Capital Investment (£000)	**9,029**	7,340
Number of operational countries	**11**	11
eSIM profiles distributed (Million profiles)	**6**	3

Principal risks and uncertainties

There are several 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 overall has seen increased demand for services during this period with significant growth in local voice usage by Enterprise customers, offset by reduced roaming activity. 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.

Strategic Report
for the year ended 31 December 2020

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	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. *RSP and Entitlements are significant opportunities.* Proprietary technology and GSMA certification maximise existing product competitiveness. Market adoption of eSIM will impact the speed at which contracts for RSP and Entitlements monetise.

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 by 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 12 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 several 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 considering any natural hedge opportunities.

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

The board of directors of Truphone Limited 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, 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 2020.

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

27th September 2021

Directors' Report

for the year ended 31 December 2020

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2020.

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 shareholders capital of up to £30,000k. A further £5,000k was conditional, payable if further funding is required before 31 December 2021 by reference to the Group's liquidity position based on an agreed solvency formula.

The issue is now complete will all monies due now paid including in July 2021 the £5,000k conditional amount. A total of £15,000k was received during 2021 including the conditional tranche.

Under an agreement dated 24th September 2021, the Group reached agreement with Vollin Holdings Limited and Norma Investments Limited to borrow up to £25m for general use in the business. This facility is committed and unconditional in terms of access and utilisation. Any amounts drawn down under this facility should be repaid on the 3rd anniversary including annual interest at the rate of 5%.

Outlook

Enterprise Line of Business

The Group's Enterprise line of business strategy and plan for 2021 and 2022 anticipates delivering annual revenue growth of around 7% per annum (subject to the ongoing and evolving impact on Enterprise business models of the COVID pandemic). The plan includes:

- Truphone For Finance (TFF) launched to enable upsell and cross sell of complementary mobile communication and compliance services to financial services businesses including eSIM.
- Launching Truphone MultiLine (TML) to enable Bring Your Own Device (BYOD) strategies and support occasional recording requirements in the global financial markets. TML will be launched to the non-financial markets towards the end of 2021.
- Launch of a highly targeted digital account-based marketing campaign focusing on

multinational organisations which exclusively or predominately operate in Truphone's footprint
- The introduction of Enterprise IOT bringing Truphone's powerful IOT platform and capabilities to the Enterprise market.
- Re-platforming USA MVNO with substantially improved input rates and functionality as well as investment in technologies supporting customer needs including 5G and VoLTE wherever possible.

eSIM Line of Business

The eSIM line of business is expected to grow strongly in 2021 as eSIM adoption progresses, IoT rollout accelerates, and consumer use cases rebound post-covid.

eSIM Software

Our strategy and plan for eSIM Software in 2021 is based around broader adoption of eSIM by operators. All the Tier 1 MNOs have already adopted eSIM with RSP and Entitlement. However, 2021 will see the long tail adopt RSP and some Tier 1s review their supply and in some cases dual source as RSP becomes business critical. Our go to market plan, promoting awareness of Truphone worldwide will be critical to gaining long tail traction.

2021 will see the first deployments of iSIM which, over several years, we believe will become a key component for any low cost connected devices. Our approach will be to engage and support the first deployments of iSIM to become a key supplier as iSIM gains market share.

Bootstrap remains a high growth opportunity where we expect further in-account growth in 2021. In future years, growth is expected to increase as more devices support Remote eSIM Provisioning and the physical SIM disappears.

eSIM Connectivity

Our strategy and plan reflect increased adoption of IoT and the need to reduce customer complexity while helping them differentiate simultaneously.

With Truphone for Things, we bring the benefits of our core network, the partner networks we orchestrate, our network redundancy, eSIM integration and agile management platforms. Our go-to-market plan will be focused on segments that value our platforms to help them grow their business.

With Truphone for Apps, through our early adopting customers we hope to see usage growth as covid travel restrictions ease. Our go-to-market plan will focus on diversifying from general brands to those that specialise in selling to customers through established channels increasing the likelihood of end customer adoption.

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 ongoing impact of COVID remains difficult to predict especially between geographies, in terms of how business models evolve in response and in both the use of and rate of adoption in cellular connectivity technologies including eSIM.

The market for eSIM products and services is however 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.

Directors' Report

for the year ended 31 December 2020

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.

Employees

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

Going concern

For the year ended 31 December 2020, the Group made a loss for the financial year of £16,010k (2019: £16,689k). The Company made a loss for the financial year of £25,510k (2019: loss of £25,090k).

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

The Group is well positioned for Growth, particularly across its eSIM use cases and expects trading prospects to improve as the impact of the global pandemic recedes and customer procurement strategies accelerate (including eSIM adoption rates).

The Group's post year end trading performance combined with investment and funding secured on an unconditional committed basis as detailed below provides cash resources sufficient to deliver the business plan substantially beyond 2021 into 2022.

- Between January and July 2021, the Group received the remaining £15,000k from an issue of ordinary shares which was underwritten (based on an agreement signed on 5 February 2020) by its shareholders, Vollin Holdings Limited and Minden Worldwide Ltd.
- Under an agreement dated 24th September 2021, the Group reached further agreement with Vollin Holdings Limited and Norma Investments Limited to borrow up to £25m for general use in the business. This facility is committed and unconditional in terms of access and utilisation. Any amounts drawn down under this facility should be repaid on the 3rd anniversary including annual interest at the rate of 5%.

The Group is actively in engaged in securing further funding beyond the amounts already committed, to enable accelerated investment in pursuit of the eSIM market opportunity. The rate of investment, which is mainly but not exclusively staffing related (sales, marketing and software development) will be carefully managed having due regard for trading performance and availability of committed funding from time to time.

Finally, the Group's existing shareholders remain fully supportive of the company and its strategy and have indicated a willingness to provide further funding to enable the Group to respond to opportunities which may emerge including 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 2020 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.

Directors' Report

for the year ended 31 December 2020

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for 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's 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's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

Political contributions

The Group has not made any donations, in cash or in any kind to any political party in 2019 and 2020.

On behalf of the Board

R. Steffens

Ralph Steffens
Chief Executive Officer

27th September 2021

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 2020 and of the group's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 December 2020; the consolidated statement of profit and loss account, the consolidated statement of other comprehensive income, the consolidated statement of cash flows and the consolidated and company statements 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation globally and UK HMRC regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and

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

regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate accounting entries to manipulate financial results and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Obtaining an understanding of the entity's current activities, the scope of its authorisation and control environment;
- Making enquiries of management and Directors in regards to any known or suspected fraud, and the risk of fraud;
- Reviewing all of the available board of directors meeting minutes and significant new contracts;
- Challenging assumptions and estimates made by management in significant accounting estimates; and
- Identifying and testing a sample of journal entries, in particular entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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.

Other matter

The financial statements for the year ended 31 December 2019, forming the corresponding figures of the financial statements for the year ended 31 December 2020, are unaudited.

Gareth Murfitt

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

27 September 2021

Consolidated statement of profit and loss

For the year ended 31 December 2020

	Note	2020 £000	2019 £000
Revenue	6	**46,963**	44,104
Cost of sales		**(15,503)**	(14,555)
Gross profit		**31,460**	29,549
Administrative expenses	9	**(46,918)**	(45,340)
Other operating income	12	**8**	18
Operating loss		**(15,450)**	(15,773)
Finance income	13	**8**	16
Finance costs	14	**(591)**	(763)
Loss before taxation		**(16,033)**	(16,520)
Income tax income/(expense)	18	**23**	(169)
Loss for the year		**(16,010)**	(16,689)
Loss for the period attributable to:			
Owners of parent		(16,010)	(16,689)

All amounts relate to continuing operations.

Consolidated statement of other comprehensive income

for the year ended 31 December 2020

	Note	2020 £000	2019 £000
Loss for the year		(16,010)	(16,689)
Other comprehensive income / (loss)			
Other comprehensive income / (loss) that may be reclassified to consolidated profit or loss in subsequent years (net of tax)			
Exchange differences on translation of foreign operations	25	(746)	1,284
Net other comprehensive income / (loss) that may be reclassified to profit or loss in subsequent years		**(746)**	**1,284**
Total comprehensive loss for the year, net of tax		**(16,756)**	**(15,405)**
Loss for the period attributable to:			
Owners of parent		(16,756)	(15,405)

Consolidated statement of financial position

As at 31 December 2020

	Note	2020 £000	2019 £000	As at 1 January 2019 £000
ASSETS				
Non-current assets				
Property, plant and equipment	19	**3,199**	3,546	2,223
Intangible assets	20	**11,440**	8,405	7,403
Right-of-use assets	28	**6,276**	8,842	11,807
Non-current financial assets	21	**1,038**	1,087	1,346
Total non-current assets		**21,953**	21,880	22,779
Current assets				
Deferred tax assets	18	**368**	523	65
Inventories	22	**174**	159	111
Trade and other receivables	23	**18,980**	9,721	20,591
Prepayments and accrued income		**4,205**	3,390	3,197
Cash and cash equivalents	24	**7,451**	4,648	5,756
Total current assets		**31,178**	18,441	29,720
TOTAL ASSETS		**53,131**	40,321	52,499
EQUITY AND LIABILITIES				
Equity				
Issued capital	25	**(3)**	(3)	(3)
Share premium	25	**(537,717)**	(507,717)	(501,717)
Retained earnings		**515,030**	499,020	482,299
Other components of equity		**(538)**	(1,284)	-
Total equity		**(23,228)**	(9,984)	(19,421)
Non-current liabilities				
Lease liabilities	28	**(3,782)**	(6,304)	(8,603)
Other non-current financial liabilities	27	**(1,788)**	(1,778)	-
Provisions	26	**(1,549)**	(1,526)	(1,868)
Total non-current liabilities		**(7,119)**	(9,608)	(10,471)
Current liabilities				
Trade and other payables	27	**(19,076)**	(16,979)	(18,279)
Refund liability		**(962)**	(1,115)	(1,124)
Lease liabilities	28	**(2,746)**	(2,635)	(3,204)
Total current liabilities		**(22,784)**	(20,729)	(22,607)
Total liabilities		**(29,903)**	(30,337)	(33,078)
TOTAL EQUITY AND LIABILITIES		**(53,131)**	(40,321)	(52,499)

The consolidated financial statements on pages 17 to 70 were authorised for issue by the board of directors on 27th September 2021 and were signed on its behalf.

Ralph Steffens
Chief Executive Officer

R. Steffens

27th September 2021

Consolidated statement of changes in equity

for the year ended 31 December 2020

Group	*Notes*	*Issued capital*	*Share premium*	*Retained earnings*	*Foreign currency translation reserve*	*Total equity*
		£000	*£000*	*£000*	*£000*	*£000*
As at 1 January 2019		**3**	**501,717**	**(482,299)**		**19,421**
Profit/(loss) for the year				(16,689)		(16,689)
Other comprehensive income/(loss)					1,284	1,284
Total comprehensive income/(loss)				(16,689)	1,284	(15,405)
Share based payments	30			(32)		(32)
Issue of share capital	25		6,000			6,000
As at 31 December 2019		**3**	**507,717**	**(499,020)**	**1,284**	**9,984**
Profit/(loss) for the year				(16,010)		(16,010)
Other comprehensive income/(loss)					(746)	(746)
Total comprehensive income/(loss)				(16,010)	(746)	(16,756)
Issue of share capital	25		30,000			30,000
As at 31 December 2020		**3**	**537,717**	**(515,030)**	**538**	**23,228**

Consolidated statement of cash flows

for the year ended 31 December 2020

	Notes	2020 £000	2019 £000
Cash flow from operating activities			
Loss after tax		**(16,010)**	(16,689)
Adjustments to reconcile loss before tax to net cash flows:			
Tax on loss		**(23)**	169
Net interest expense		**583**	746
Depreciation charges	15	**4,630**	4,787
Amortisation charges	20	**4,605**	2,926
Impairment charge	20	**-**	320
Share based payment (income)/expense	30	**-**	(32)
Unrealised currency translation losses/(gains)		**(1,118)**	1,396
Working capital changes:			
Increase/decrease in trade receivables	23	**(14)**	(5,139)
Increase/decrease in inventories	22	**15**	(49)
Increase/decrease in trade payables	27	**2,132**	2,865
		(5,200)	(8,700)
Net taxation (paid)/received	18	**276**	(83)
Net cash generated from / (used in) operating activities		**(4,924)**	(8,783)
Cash flow from investing activities			
Interest received	13	**8**	16
Purchase of intangibles	20	**(7,636)**	(4,667)
Purchase of tangible fixed assets	19	**(1,393)**	(2,839)
Net cash used in investing activities		**(9,021)**	(7,490)
Cash flow from financing activities			
Interest paid	14	**(83)**	(76)
Payment of principal portion of lease liabilities		**(3,283)**	(3,759)
Net proceeds from issue of ordinary share capital	25	**20,038**	19,000
Net cash generated from financing activities		**16,672**	15,165
Increase/decrease in cash and cash equivalents		**2,727**	(1,108)
Net foreign exchange difference	25	**76**	0
Cash and cash equivalents at 1 January		**4,648**	5,756
Cash and cash equivalents at 31 December	24	**7,451**	4,648

Notes to the financial statements

For the year ended 31 December 2020

1. Corporate information

The consolidated financial statements of Truphone Limited and its subsidiaries (collectively, the Group) for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 27th September 2021.

Truphone Limited (the Company or the parent) is a private company limited by shares incorporated and domiciled in the United Kingdom. The Registered Office is 25 Canada Square, Canary Wharf, London E14 5LQ.

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.

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

The Group has 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 2-5 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.

Information on the Group's structure is provided in Note 8. Information on other related party relationships of the Group is provided in Note 32.

2. Significant accounting policies

The principal accounting policies applied by Truphone Limited in the preparation of these separate financial statements are set out below.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), in conformity with the requirements of the Companies Act 2006.

For all years up to and including the year ended 31 December 2019, 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). These financial statements for the year ended 31 December 2020 are the first the Group has prepared in accordance with IFRS. The prior year comparatives have been updated accordingly. Refer to Note 3 for information on how the Group adopted IFRS.

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in sterling and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous year. In addition, the Group presents an additional statement of financial position at the beginning of the preceding year. An additional statement of financial position as at 1 January 2019 is presented in these consolidated financial statements due to the first-time adoption of IFRS. See Note 3.

2.2 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Notes to the financial statements

For the year ended 31 December 2020

2.2 Standards issued but not yet effective (continued)

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

Notes to the financial statements

For the year ended 31 December 2020

2.2 Standards issued but not yet effective (continued)

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

2.3 Going concern

For the year ended 31 December 2020, the Group made a loss for the financial year of £16,010k (2019: £16,689k). The Company made a loss for the financial year of £25,040k (2019: loss of £24,902k).

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

The Group is well positioned for Growth, particularly across its eSIM use cases and expects trading prospects to improve as the impact of the global pandemic recedes and customer procurement strategies accelerate (including eSIM adoption rates).

The Group's post year end trading performance combined with investment and funding secured on an unconditional committed basis as detailed below provides cash resources sufficient to deliver the business plan substantially beyond 2021 into 2022.

- Between January and July 2021, the Group received the remaining £15,000k from an issue of ordinary shares which was underwritten (based on an agreement signed on 5 February 2020) by its shareholders, Vollin Holdings Limited and Minden Worldwide Ltd.
- Under an agreement dated 24th September 2021, the Group reached further agreement with Vollin Holdings Limited and Norma Investments Limited to borrow up to £25m for general use in the business. This facility is committed and unconditional in terms of access and utilisation. Any amounts drawn down under this facility should be repaid on the 3rd anniversary including annual interest at the rate of 5%.

The Group is actively in engaged in securing further funding beyond the amounts already committed, to enable accelerated investment in pursuit of the eSIM market opportunity. The rate of investment, which is mainly but not exclusively staffing related (sales, marketing and software development) will be carefully managed having due regard for trading performance and availability of committed funding from time to time. Finally, the Group's existing shareholders remain fully supportive of the company and its strategy and have indicated a willingness to provide further funding to enable the Group to respond to opportunities which may emerge including 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 and therefore believe it appropriate to prepare the financial statements for the year ended 31 December 2020 on a going concern basis.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2020.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the financial statements

For the year ended 31 December 2020

2.4 Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

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

2.5 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.6 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

2.6 Current versus non-current classification (continued)

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.7 Revenue from contracts with customers

The Group is in the business of providing mobile telecommunication services and software including voice, SMS and data services. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group applies IFRS 15 and the principles in IFRS 15 are applied using the following five steps:

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Enterprise

Revenue from subscription fees is recognised evenly throughout the periods to which they relate. Revenue from the sale of handsets and related accessories is recognised at a point in time when control of the asset is transferred to the customer. 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

Revenue from subscription fees is recognised evenly throughout the periods to which they relate. Revenue from the sale of eSIM profiles is recognised at a point in time when the profile is activated.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of handsets, subscription fees and eSIM, the Group considers the effects of variable consideration, existence of a significant financing component, noncash consideration, and consideration payable to the customer (if any). The Group has determined that set-up and implementation activity does not meet the definition of a performance obligation, and amounts charged for such are allocated to the other performance obligations in the contract and recognised as revenue over time.

(a) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods/services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of handsets

2.7 Revenue from contracts with customers (continued)

provide customers with a right to return the goods/services within a specified period. The Group also provides retrospective volume rebates to certain customers once the quantity of connectivity purchased during the period exceeds the threshold specified in the contract. The rights of return and volume rebates give rise to variable consideration.

- ***Rights of return***

The Group uses the expected value method to estimate the variable consideration given the large number of contracts that have similar characteristics. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue. A refund liability is recognised for the goods/services that are expected to be returned (i.e., the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover the goods from the customer.

- ***Volume rebates***

The Group applies either the most likely amount method or the expected value method to estimate the variable consideration in the contract. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The most likely amount is used for those contracts with a single volume threshold, while the expected value method is used for those with more than one volume threshold. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue. A refund liability is recognised for the expected future rebates (i.e., the amount not included in the transaction price).

Warranty obligations

The Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for as warranty provisions. Refer to the accounting policy on warranty provisions in note 26 Provision for liabilities.

The Group also provides a warranty beyond fixing defects that existed at the time of sale. These service-type warranties are sold either separately or bundled together with the sale of handsets. Contracts for bundled sales of handsets and service-type warranty comprise two performance obligations because the handsets and service-type warranty are both sold on a stand-alone basis and are distinct within the context of the contract. Using the relative stand-alone selling price method, a portion of the transaction price is allocated to the service-type warranty and recognised as a contract liability. Revenue for service-type warranties is recognised over the period in which the service is provided based on the time elapsed.

Contract balances

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section 2.13 Financial instruments – initial recognition and subsequent measurement.

Assets and liabilities arising from rights of return

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Group's refund liabilities arise from customers' right of return and volume rebates. The liability is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Cost to obtain a contract

The Group pays sales commission to its employees for each contract that they obtain for above goods/services. The Group applies the optional practical expedient to immediately expense costs to obtain a contract if the amortisation period of the asset that would have been recognised is one year or less. As such, sales commissions are immediately recognised as an expense and included as part of employee benefits.

Notes to the financial statements

For the year ended 31 December 2020

2.8 Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available, against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Value added tax and other sales related taxation

Expenses and assets are recognised net of the amount of VAT and other sales tax, except:

- When the VAT and other sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

Notes to the financial statements

For the year ended 31 December 2020

2.8 Taxes (continued)

- When receivables and payables are stated with the amount of VAT and other sales tax included.

The net amount of VAT and other sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.9 Foreign currencies

The Group's consolidated financial statements are presented in pound sterling, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation.

These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the

recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into sterling at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2.10 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Construction in progress is stated at cost, net of accumulated impairment losses, if any.

Cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Computer equipment and fixtures and fittings	3 years

2.10 Property, plant and equipment (continued)

Network	3 years
Leasehold improvements	Period of lease

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.11 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Data Centres	3 – 5 years
Offices	2 – 3 years
Towers	9 – 10 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The Group determined that the substitution rights on the data centre site leases are not substantive and hence have determined that the leases do meet the criteria of IFRS 16. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 2.15 Impairment of non-financial assets.

(b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Lease liabilities. See note 21 and 28.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on

Notes to the financial statements

For the year ended 31 December 2020

2.11 Leases (continued)

a straight-line basis over the lease term.

2.12 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, Intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of Intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on Intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the Intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale.
- Its intention to complete and its ability and intention to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Assets in the course of construction

Assets in the course of construction ("Work in Progress") are stated at cost. These assets are not depreciated until they are available for use.

Telecom licences

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

A summary of the policies applied to the Group's Intangible assets is, as follows:

	Goodwill	Development costs	Telecom licenses
Useful lives	Indefinite	3 years	3 – 5 years
Amortisation method used	Not applicable	Straight-line	Straight-line
Internally generated or acquired	Acquired	Internally generated	Acquired

Notes to the financial statements

For the year ended 31 December 2020

2.13 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in section 2.7 Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments).
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments).
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables, cash and bank balances and loans.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group has not designated any financial asset as at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments:

Notes to the financial statements

For the year ended 31 December 2020

2.13 Financial instruments – initial recognition and subsequent measurement (continued)

Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group has not designated any financial asset as at fair value through OCI.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Group has not designated any financial asset as at fair value through profit and loss account.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans

Notes to the financial statements

For the year ended 31 December 2020

2.13 Financial instruments – initial recognition and subsequent measurement (continued)

and borrowings, and payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss.
- Financial liabilities at amortised cost (loans and borrowings).

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, lease liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.14 Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a first-in/first-out basis.
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.15 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's

Notes to the financial statements

For the year ended 31 December 2020

2.15 Impairment of non-financial assets (continued)

recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.16 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

2.17 Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

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.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid

2.17 Provisions (continued)

because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

2.18 Pensions and other post-employment benefits

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

(a) 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.

(b) 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.

2.19 Share-based payments

The Group operates unapproved equity-settled and cash-settled, share-based compensation plans.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 30.

That cost is recognised in employee benefits expenses, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

Cash-settled transactions

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense (see Note 16). The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The approach used to account for vesting conditions when measuring equity-settled transactions also applies to cash-settled transactions.

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

Notes to the financial statements

For the year ended 31 December 2020

2.19 Share-based payments (continued)

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.

2.20 First-time adoption of IFRS

These financial statements, for the year ended 31 December 2020, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2019, the Group prepared its financial statements in accordance with local generally accepted accounting principles (UK GAAP (FRS 102)).

Accordingly, the Group has prepared financial statements that comply with IFRS applicable as at 31 December 2020, together with the comparative period data for the year ended 31 December 2019, as described in the summary of significant accounting policies. In preparing the financial statements, the Group's opening statement of financial position was prepared as at 1 January 2019, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its UK GAAP (FRS 102) financial statements, including the statement of financial position as at 1 January 2019 and the financial statements as of, and for, the year ended 31 December 2019.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Group has applied the following exemptions:

(a) IFRS 3 Business Combinations has not been applied to either acquisitions of subsidiaries that are considered businesses under IFRS, or acquisitions of interests in associates and joint ventures that occurred before 1 January 2019. Use of this exemption means that the UK GAAP (FRS 102) carrying amounts of assets and liabilities, that are required to be recognised under IFRS, are their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognise any assets or liabilities that were not recognised under the UK GAAP (FRS 102) or exclude any previously recognised amounts as a result of IFRS recognition requirements.

(b) IFRS 1 also requires that the UK GAAP (FRS 102) carrying amount of goodwill must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of Intangible assets). In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of transition to IFRS. There was no impairment recognised on goodwill at 1 January 2019.

(c) The Group has not applied IAS 21 The Effects of Changes in Foreign Exchange Rates retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to IFRS. Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree.

Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

(d) Cumulative currency translation differences for all foreign operations are deemed to be zero as at 1 January 2019.

(e) IFRS 2 Share-based Payment has not been applied to equity instruments in share-based payment transactions that were granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that vested before 1 January 2019. For cash-settled share-based payment transactions, the Group has not applied IFRS 2 to liabilities that were settled before 1 January 2019.

(f) The Group assessed all contracts existing at 1 January 2019 to determine whether a contract contains a lease based upon the conditions in place as at 1 January 2019.

(g) Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019. Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

(h) In separate financial statements, a first-time adopter that subsequently measures an investment in a subsidiary, joint ventures or associate at cost, may measure such investment at cost (determined in accordance with IAS 27 Consolidated and Separate Financial Statements) or deemed cost (fair value or previous UK GAAP (FRS 102) carrying amount at the date of transition to IFRS) in its separate opening IFRS statement of financial position.

Notes to the financial statements

For the year ended 31 December 2020

2.20 First-time adoption of IFRS (continued)

Estimates

The estimates at 1 January 2019 and at 31 December 2019 are consistent with those made for the same dates in accordance with UK GAAP (FRS 102) (after adjustments to reflect any differences in accounting policies) apart from the following items where application of UK GAAP (FRS 102) did not require estimation:

- Pensions and other post-employment benefits.
- Share-based payment transactions.

The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions at 1 January 2019, the date of transition to IFRS and as at 31 December 2019.

Notes to the financial statements

For the year ended 31 December 2020

3. First-time adoption of IFRS

Group reconciliation of equity as at 1 January 2019 (date of transition to IFRS)

	Notes	UK GAAP (FRS 102) £000	*Reclassifications* £000	*Remeasurements* £000	*IFRS as at 1 January 2019* £000
ASSETS					
Non-current assets					
Property, plant and equipment		2,223	-	-	2,223
Intangible assets	a.	7,083	-	320	7,403
Right-of-use assets	b.	-	-	11,806	11,806
Non-current financial assets		1,347	-		1,347
Total non-current assets		10,653	-	12,126	22,779
Current assets					
Deferred tax assets		65	-	-	65
Inventories		111	-	-	111
Trade and other receivables	c./d./e./f.	22,343	(2,073)	321	20,591
Prepayments and accrued income	c.	-	3,197	-	3,197
Cash and cash equivalents		5,756	-	-	5,756
Total current assets		28,275	1,124	321	29,720
TOTAL ASSETS		38,928	1,124	12,447	52,499
EQUITY AND LIABILITIES					
Equity					
Issued capital		(3)	-	-	(3)
Share premium		(501,717)	-	-	(501,717)
Retained earnings		482,940	-	(641)	482,299
Total equity		(18,780)	-	(641)	(19,421)
Non-current liabilities					
Lease liabilities	b.	-	-	(8,603)	(8,603)
Provisions		(1,868)	-		(1,868)
Total non-current liabilities		(1,868)	-	(8,603)	(10,471)
Current liabilities					
Trade and other payables		(18,279)	-	-	(18,279)
Refund liability	d.	-	(1,124)	-	(1,124)
Lease liabilities	b.	-	-	(3,204)	(3,204)
Total current liabilities		(18,279)	(1,124)	(3,204)	(22,607)
Total liabilities		(20,147)	(1,124)	(11,807)	(33,078)
TOTAL EQUITY AND LIABILITIES		(38,927)	(1,124)	(12,448)	(52,499)

Notes to the financial statements

For the year ended 31 December 2020

3. First-time adoption of IFRS (continued)

Group reconciliation of equity as at 31 December 2019

	Notes	UK GAAP (FRS 102)	*Reclassifications*	*Remeasurements*	*IFRS as at 31 December 2019*
		£000	*£000*	*£000*	*£000*
ASSETS					
Non-current assets					
Property, plant and equipment		3,546	-	-	3,546
Intangible assets	a.	8,405	-	-	8,405
Right-of-use assets	b.	-	-	8,842	8,842
Non-current financial assets		1,087	-	-	1,087
Total non-current assets		13,038	-	8,842	21,880
Current assets					
Deferred tax assets		523	-	-	523
Inventories		159	-	-	159
Trade and other receivables	c./d./e./f.	11,798	(2,275)	198	9,721
Prepayments and accrued income	c.	-	3,390	-	3,390
Cash and cash equivalents		4,648	-	-	4,648
Total current assets		17,128	1,115	198	18,441
TOTAL ASSETS		30,166	1,115	9,040	40,321
EQUITY AND LIABILITIES					
Equity					
Issued capital		(3)	-	-	(3)
Share premium		(507,717)	-	-	(507,717)
Retained earnings	g.	497,701	1,284	35	499,020
Other components of equity	g.	-	(1,284)	-	(1,284)
Total equity		(10,019)	-	35	(9,984)
Non-current liabilities					
Lease liabilities	b.	-	-	(6,304)	(6,304)
Other non-current financial liabilities		(1,778)	-	-	(1,778)
Provisions		(1,526)	-	-	(1,526)
Total non-current liabilities		(3.304)	-	(6,304)	(9,608)
Current liabilities					
Trade and other payables	h.	(16,842)	-	(137)	(16,979)
Refund liability	d.	-	(1,115)	-	(1,115)
Lease liabilities	b.	-	-	(2,635)	(2,635)
Total current liabilities		(16,842)	(1,115)	(2,772)	(20,729)
Total liabilities		(20,146)	(1,115)	(9,076)	(30,337)
TOTAL EQUITY AND LIABILITIES		(30,165)	(1,115)	(9,041)	(40,321)

Notes to the financial statements

For the year ended 31 December 2020

3. First-time adoption of IFRS (continued)

Group reconciliation of profit and loss account for the year ended 31 December 2019

	Notes	UK GAAP (FRS 102) £000	Remeasurements £000	IFRS for the year ended 31 December 2019 £000
Revenue	h.	**44,240**	(136)	44,104
Cost of sales		**(14,555)**	-	(14,555)
Gross profit		**29,685**	(136)	29,549
Administrative expenses	b./c./e./f./i.	**(45,247)**	(93)	(45,340)
Other operating income		**18**	-	18
Restructuring costs	i.	**(240)**	240	-
Operating loss		**(15,784)**	11	(15,773)
Finance income		**16**	-	16
Finance cost	b.	**(76)**	(687)	(763)
Loss before taxation		**(15,844)**	(676)	(16,520)
Tax on loss		**(169)**	-	(169)
Loss for the year		**(16,013)**	(676)	(16,689)

Group reconciliation of other comprehensive income for the year ended 31 December 2019

	Note	UK GAAP (FRS 102) £000	Remeasurements £000	IFRS for the year ended 31 December 2019 £000
Loss for the financial year	See above	(16,013)	(676)	(16,689)
Other comprehensive income				
Items that may be reclassified to consolidated profit or loss in subsequent years (net of tax):				
Exchange differences on translation of foreign operations		1,284	-	1,284
Total other comprehensive income, net of tax		**1,284**	-	**1,284**
Total comprehensive expense for the year		**(14,729)**	**(676)**	**(15,405)**

Notes to the financial statements

For the year ended 31 December 2020

3. First-time adoption of IFRS (continued)

Group reconciliation of the Cash Flow Statement for the year ended 31 December 2019

	Notes	UK GAAP (FRS 102) £000	Remeasurements £000	IFRS £000
Cash flow from operating activities				
Profit/(loss) before tax		(16,013)	(676)	(16,689)
Adjustments to reconcile loss before tax to net cash flows:				
Tax on loss		169		169
Net interest expense		60	686	746
Depreciation charges	b.	1,412	3,375	4,787
Amortisation charges		2,926		2,926
Impairment charge	a.	-	320	320
Share based payment (income)/expense		(32)		(32)
Unrealised currency translation losses/(gains)	b.	1,601	(205)	1,396
Working capital changes:				
Increase/decrease in trade and other receivables	e./f.	(5,263)	124	(5,139)
Increase/decrease in inventories		(49)		(49)
Increase/decrease in trade and other payables	h.	2,729	136	2,865
		(12,460)	3,760	(8,700)
Net taxation (paid)/received		(83)		(83)
Net cash generated from / (used in) operating activities		(12,543)	3,760	(8,783)
Cash flow from investing activities				
Interest received		16		16
Purchase of intangibles		(4,667)		(4,667)
Purchase of tangible fixed assets		(2,839)		(2,839)
Net cash used in investing activities		(7,490)		(7,490)

Notes to the financial statements

For the year ended 31 December 2020

3. First-time adoption of IFRS (continued)

Cash flow from financing activities				
Interest paid		(75)		(75)
Payment of principal portion of lease liabilities	b.	-	(3,760)	(3,760)
Net proceeds from issue of ordinary share capital		19,000		19,000
Net cash generated from financing activities		18,925	(3,760)	15,165
Increase/decrease in cash and cash equivalents		(1,108)		(1,108)
Net foreign exchange difference		-		-
Cash and cash equivalents at 1 January		5,756		5,756
Cash and cash equivalents at 31 December		4,648		4,648

Notes to the financial statements

For the year ended 31 December 2020

3. First-time adoption of IFRS (continued)

Notes (explanation of the adjustments)

a. Goodwill amortisation reversal (IAS 38): £320k opening statement of financial position adjustment to reverse goodwill amortisation, which was then fully impaired during 2019, with a nil balance as at 31 December 2019.

b. Leases (IFRS 16):

As at 1 January 2019:
Recognition of a right-of-use asset and corresponding lease liability for £11,806k. The lease liability is split between current (£3,203k) and non-current (£8,603k).

For the year ended 31 December 2019:
Depreciation of £3,375k was recorded in relation to right-of-use assets and £687k of financing costs were recorded in relation to the lease liability. A positive FX revaluation impact of £205k was recorded as a result of revaluing the lease liability as at 31 December 2019. Operating costs of £3,759k, recorded under FRS 102, were removed.

As at 31 December 2019:
There were additions of £410k to right-of-use assets, resulting in a closing balance of £8,842k. Payments of £3,759k were made against the lease liability, resulting in a closing balance £8,939k, split between current (£2,635k) and non-current (£6,304k).

c. Re-classification of prepayments (IAS 1): £3,197k opening statement of financial position presentational adjustment (31 December 2019: £3,390k) re-classifying prepayments separately from trade and other receivables.

d. Re-classification of refund liability (IFRS 9): £1,124k opening statement of financial position presentational adjustment (31 December 2019: £1,115k) to disclose the refund liability separately.

e. Reversal of bad debt provision (IFRS 9): £598k opening statement of financial position adjustment (31 December 2019: £525k) for reversal of the bad debt provision.

f. Recognition of Expected Credit Loss (IFRS 9): £277k opening statement of financial position adjustment to recognise allowance for expected credit losses (31 December 2019: £328k).

g. Re-classification of foreign currency translation reserve (IAS 21): £1,284k presentational adjustment to disclose the reserve separately from retained earnings as at 31 December 2019.

h. Deferred revenue (IFRS 15): £136k adjustment, as at 31 December 2019, for setup/implementation fees to recognise revenue over the contract period rather than at a point in time.

i. Re-classification of Restructuring costs (IAS 1): £240k presentational adjustment to disclose restructuring costs separately on the face of the statement of comprehensive income.

Notes to the financial statements

For the year ended 31 December 2020

4. New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

5. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

5. Significant accounting judgements, estimates and assumptions (continued)

generation of the assets, discount rates to be applied and the expected period of benefits.

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group has several lease contracts that include extension and termination options. The lease term is the non-cancellable period of the lease adjusted for the impact of any extension options that the Group is reasonably certain will be exercised, or termination options that the Group is reasonably certain will not be exercised. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. The Group is reasonably certain that it will not be exercising termination options on any of the existing lease contracts, whereas it will be exercising extension options on Data Centres and Towers, along with Offices if the existing lease expires before 31 December 2021.

Estimates

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. 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.

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them.

The Group initially measures the cost of cash-settled transactions with employees using a Black-Scholes Merton (BSM) model to determine the fair value of the liability incurred. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in profit or loss. This requires a reassessment of the estimates used at the end of each reporting period.

For the measurement of the fair value of equity settled transactions with employees at the grant date, the Group uses the Black-Scholes Merton (BSM) model. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 30.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

5. Significant accounting judgements, estimates and assumptions (continued)

Sensitivity to change in Incremental Borrowing Rate (IBR)

	Change in IBR (basis points)	*Effect on profit before tax*
		£000
2020	***+200***	**(16)**
2020	***-200***	**16**
2019	*+200*	(49)
2019	*-200*	49

The impact on the Group's profit before tax due to changes in the IBR was calculated by applying a +/-200 basis point change to the IBR which prevailed in 2020 and 2019, which the Group has deemed to a reasonable approximation of change. A 200 basis point increase(+)/decrease(-) of the IBR would have impacted the Group's profit before tax by +/-£16k in 2020 (+/-£49k in 2019).

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the probable outflow of resources, and a reliable estimate can be made of the amount of the obligation.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. The Directors rely on external legal advice to assess the likelihood that amounts will be due under terminated contracts, to quantify the possible range of that contingent liability, and to how that contingent liability should be disclosed in the consolidated financial statements. Due to the inherent uncertainty in this process, actual liabilities may be different from those originally estimated.

6. Revenue

Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	For the year ended 31 December 2020	*For the year ended 31 December 2019*
	£000	***£000***
Type of goods or service		
Enterprise	41,411	40,446
eSIM Connectivity	4,683	3,463
eSIM Software	869	195
Total revenue from contracts with customers	**46,963**	**44,104**
Geographical markets		
Europe	31,650	29,860
North America	10,846	11,094
Asia Pacific	4,467	3,150
Total revenue from contracts with customers	**46,963**	**44,104**

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For the year ended 31 December 2020

6. Revenue (continued)

Goods and services transferred at a point in time	2,031	2,150
Goods and services transferred over time	44,932	41,954
Total revenue from contracts with customers	**46,963**	**44,104**

Contract balances

	31 Dec 2020	*31 Dec 2019*	*1 January 2019*
	£000	***£000***	***£000***
Trade and other receivables (refer note 23)	***18,980***	*9,721*	*20,591*

Performance obligations

Performance obligations are identified for each distinct service or deliverable for which the customer has contracted. Information about the Group's performance obligations can be split into Enterprise and eSim and are summarised below.

Enterprise

Performance obligations can be considered to be satisfied either over the time period when the services/deliverables are delivered (i.e mobile connectivity, mobile recording, data archiving), or at a point in time that control passes to the customer (e.g handsets, devices delivery/commissioning). Truphone also acts as an agent in the delivery of some ancillary device services, recognizing the margin at the point of delivery.

There is typically not expected to be a difference of more than 12 months between the timing of receipt of cash consideration and the timing of revenue recognition, so no significant financing component exists. No significant form of variable consideration is present in customer contracts. The Group does not have any material obligations in respect of returns, refunds, or warranties in relation to the Enterprise line of business.

eSIM

Performance obligations can be considered to be satisfied over time on a straight-line basis over the period that the services are provided, or work performed (where a performance obligation promises to provide a specific quantity of services i.e MB of data, and the Group can measure the work performed to date as share of the total amount expected to be provided under the contract). Upfront charges such as Installation/Setup fees are not considered distinct in nature and are recognised on a straight-line basis over the term of the service agreement.

On some occasions, performance obligations can also consider to be satisfied at a point in time when control passes to the customer (e.g on delivery of IoT sim cards licenses, activation of Bootstrap sim profiles and sales-based royalty where revenue is recognised when the end user purchases the finished product).There is typically not expected to be a difference of more than 12 months between the timing of receipt of cash consideration and the timing of revenue recognition, so no significant financing component exists. No significant form of variable consideration is present in customer contracts. The Group does not have any material obligations in respect of returns, refunds, or warranties in relation to the eSIM line of business.

Remaining performance obligations

Revenue expected to be recognised in future periods for performance obligations that are not complete (or are partially complete) as at 31 December 2020 is £40.4m (2019: £35.0m). Of this, £36.5m (2019: £31.9m) relates to Enterprise which will be substantially recognised as revenue within two years. £3.9m (2019: £3.0m) relates to eSIM, which will be substantially recognised as revenue within three years.

7. Capital management

For the purpose of the Group's capital management, capital includes issued capital and share premium attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

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For the year ended 31 December 2020

7. Capital management (continued)

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

	2020	*2019*	*1 January 2019*
	£000	*£000*	*£000*
Lease liabilities	6,528	8,939	11,807
Trade and other payables	19,076	16,979	18,279
Less: cash at bank and in hand	(7,451)	(4,648)	(5,756)
Net debt	18,153	21,270	24,330
Equity	23,228	9,984	19,421
Total Capital	23,228	9,984	19,421
Capital and net debt	41,381	31,254	43,751
Gearing ratio (Debt/Equity)	*78%*	*213%*	*125%*

Notes to the financial statements

For the year ended 31 December 2020

8. Group information

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

Company Name	Principal Activity	Registered Address	Country of incorporation	% Equity interest 2020	% Equity interest 2019
Software Cellular Network Limited	Provision of services	London[1]	London, UK	100	100
SIM4TRAVEL LIMITED	Dormant	London[1]	London, UK	100	100
Truphone, Inc.	Provision of services	The Corporation Trust Company Corporation Trust Center 1209 Orange Street, Wilmington Delaware, DE 19801, US	United states	100	100
Truphone Poland Sp Z.o.o	Provision of services	Ul. Emilii Plater 53, 00-113 Warsaw, Poland	Poland	100	100
SCNL Truphone S.A	Provision of services	Taguspark, Avenida Professor Doutor Cavaco Silva Edif.2740 120 Qualidade B-B2-3a, Oeiras Portugal	Portugal	100	100
Truphone GmbH	Provision of services	Lenz and Staehlin Brandschenkestrasse 24 8027, Zurich, Switzerland	Switzerland	100	100
Smart Call LLC*	Provision of services	6801 Engle Road, Suite L&M, Middleburg Heights, Ohio OH 44130, US	United states	100	100
Startel Communications Co Pty Ltd	Provision of services	Melbourne[2]	Australia	100	100
Brizpark Pty Ltd	Dormant	Melbourne[2]	Australia	100	100
Truphone Pty Ltd	Provision of services	Melbourne[2]	Australia	100	100
Startel Communications Asia Corp**	Provision of services	Level 22, Orient Square Building Ortigas Jr Drive, Ortigas, Pasig City Philippines	Philippines	40	40
Truphone (Hong Kong) Ltd*	Provision of services	20th Floor, Alexandra House 16-20 Chater Road Central Hong Kong, Hong Kong	Hong Kong	100	100
Truphone Pte Ltd	Provision of services	Singapore[3]	Singapore	100	100
SCN Truphone S.L.	Provision of services	Avenida de Europa 24 Edificio Torona B, Planta baja D Alcobendas,28108, Madrid, Spain	Spain	100	100
Tru Pte Ltd*	Dormant	Singapore[3]	Singapore	100	100
iSmart Mobile LLC*	Provision of services	6801 Engle Road, Suite L&M Middleburg Heights, Ohio OH 44130, US	United States	100	100
Truworld Pte Ltd*	Dormant	Singapore[3]	Singapore	100	100
Truphone B.V.	Provision of services	Proostwetering 41, 3543 AC Utrecht,Netherlands	Netherlands	100	100
Truphone GmbH	Provision of services	Mergenthalerällee 79-81, 65760 Eschborn, Germany	Germany	100	100
TruRecord Limited	Provision of services	London[1]	London UK	100	100

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For the year ended 31 December 2020

Truphone Solutions Private Limited	Dormant	1203 One Indiabulls Centre, Tower 2, Floor 12B, 841 Senapati Bapat Marg, Elphinstone Road, Mumbai, 400013, India	India	49	49
Cellnetrix GmbH***	Provision of services	Holstenkamp 54, 22525 Hamburg, Germany	Germany	60	60
Cellnetrix Technology LLC	Provision of services	313A Yablonevaya Lane, City of Zelenograd, 124482 Moscow, Russia	Russia	100	100
Truphone France S.A.R.L	Dormant	29 Rue du Pont, 92200 Neuilly-Sur-Seine, France	France	100	100
Truphone S.r.l.	Dormant	Via Melchoirre Gioia 8 20124, Milano, Italy	Italy	100	100
Truphone, Mobilne Tekelomunikacije d.o.o.	Dormant	Linhartova Cesta 11A 1000 Ljubljana, Slovenia	Slovenia	100	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 except Truphone Solutions Private Limited which has a year end of 31 March. The class of shares held for all investments is ordinary shares.

On the 27th September 2021, the Directors of the Company provided guarantees in respect of its trading subsidiary companies in accordance with section 479C of the Companies Act 2006. As a result, the following subsidiary entities of the Company are exempt from the requirement of the Companies Act 2006 relating to the audit of the financial statements under section 479A of the Companies Act 2006:

TruRecord Limited (08063060)
Sim4Travel Limited (06561957)
Software Cellular Network Limited (05736968)

9. Administrative expenses

	2020	***2019***
	£000	***£000***
Amortisation and impairment of intangibles	4,605	3,563
Movement in expected credit loss	(67)	(52)
Employee benefits expense	28,683	21,191
Other operating expenditure	9,374	14,647
Depreciation	4,630	4,787
Profit/loss on sale of fixed assets	-	(31)
Loss/(gain) on translation of foreign currency	(307)	1,235
Total	**46,918**	45,340

Notes to the financial statements

For the year ended 31 December 2020

10. Auditors' Remuneration

During the year, the group obtained the following services from the company's auditors and its associates:

	2020	2019
	£000	£000
Fees payable to the auditors for the audit of the consolidated Group entities' annual financial statements	171	119
Fees payable to the Company's auditors and their associates for other services:		
Audit of the Company's subsidiaries	20	20
Tax compliance	40	31
Tax advisory services	130	95

11. Directors' Remuneration

	2020	2019
	£000	£000
Aggregate emoluments	**1,094**	917
Company contributions to defined contribution pension schemes	**22**	22
	1,116	939

At 31 December 2020 there were two Directors to whom retirement benefits under a defined contribution scheme were accruing (2019: one). During the year, there were nil (2019: nil) Directors who purchased Ordinary shares of the Group.

Highest paid director:

	2020	2019
	£000	£000
Aggregate emoluments	**881**	917
Company contributions to defined contribution pension schemes	**22**	22
	903	939

The highest paid director did not exercise share options in 2020 (2019: no shares exercised).

12. Other operating income

	2020	2019
	£000	£000
OTI Other income	**3**	**-**
Service charge income	**5**	**18**
	8	**18**

Notes to the financial statements

For the year ended 31 December 2020

13. Finance income

	2020	2019
	£000	£000
Interest receivable on bank account	8	16

14. Finance costs

	2020	2019
	£000	£000
Bank charges	83	77
Interest on lease liabilities	508	686
	591	763

15. Depreciation, amortisation and costs of inventories

	2020	2019
	£000	£000
Included in cost of sales:		
Costs of inventories recognised as an expense	799	1,548
	799	1,548
Included in administrative expenses:		
Depreciation	4,630	4,787
Amortisation	4,605	2,609
Impairment of goodwill	-	954
	9,235	8,350

16. Employee benefits expense

	2020	2019
	£000	£000
Included in cost of sales:		
Wages and salaries	777	767
Social security costs	68	62
	845	829
Included in administrative expenses:		
Wages and salaries	23,863	21,663
Social security costs	3,992	3,199
Other pension costs	506	361
Charge / (credit) associated with share-based payments	322	(32)
	28,683	25,191

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

16. Employee benefits expense (continued)

	2020	**2019**
	Number	**Number**
Sales	**53**	41
Operations	**318**	282
Administration	**74**	74
	445	397

17. Research and development costs

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. Research and development costs that are not eligible for capitalisation have been expensed in the year for £2,613k (2019: £787k), and are recognised in administrative expenses.

18. Income Tax

The major components of income tax income/ (expense) for the years ended 31 December 2020 and 2019 are:

Profit or loss	**2020**	**2019**
	£000	**£000**
Current income tax		
Adjustments in respect of prior years	**408**	255
Research and Development expenditure credit	**(713)**	(256)
	(305)	**(1)**
Deferred tax		
Relating to origination and reversal of temporary differences	-	-
Foreign tax		
Corporation taxes	**282**	**170**
Income tax income/ (expense) reported in the statement of profit or loss	**(23)**	**169**

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2020 (2019: £nil).

The income tax credit for the year differs (2019: differs) from the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are reconciled below.

	2020	***2019***
	£000	***£000***
Loss before taxation	**(16,033)**	(16,520)
Loss before taxation multiplied by the standard rate of tax in the UK of 19% (2019: 19%)	**(3,046)**	(3,139)
Effects of:		
Expenses not deductible for tax purposes	**3**	5
Income not taxable	**(103)**	(89)
Accelerated capital allowances and other timing differences	**(24)**	79
Current tax losses for which no deferred tax asset was recognised	**3,170**	3,142
Adjustments in respect of prior years	**408**	(255)

Notes to the financial statements

For the year ended 31 December 2020

18. Income tax (continued)

Research and Development expenditure credit	**(713)**	256
Adjustment in respect of foreign taxes	**282**	(168)
Total tax income/(expense) for year	**(23)**	169

Consolidated profit or loss	***2020***	***2019***
	£000	***£000***
As of 1 January		
Tax expense during the year recognised in profit or loss	**184**	458
Tax income/(expense) during the year recognised in OCI	**-**	-
As at 31 December	**184**	**458**

Deferred taxation

Deferred tax relates to the following:

	Consolidated statement of financial position			***Consolidated statement of profit or loss***	
	2020	***2019***	***1 January 2019***	***2020***	***2019***
	£000	***£000***	***£000***	***£000***	***£000***
Share based payments	(368)	(523)	(65)	(184)	(458)
Deferred tax expense/(benefit)				(184)	(458)
Net deferred tax assets/liabilities	(368)	(523)	(65)		
Reflected in the statement of financial position as follows:					
Deferred tax assets	(368)	(523)	(65)		
Deferred tax assets, net	(368)	(523)	(65)		

Reconciliation of deferred tax assets, net

The deferred tax movement relates to group share based payment transactions.

Consolidated profit or loss

	2020	**2019**
Tax expense during the year recognised in profit or loss	**184**	458
Deferred tax assets, net	**184**	458

Notes to the financial statements

For the year ended 31 December 2020

18. Income tax (continued)

Deferred tax assets are recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, in the foreseeable future against which the deductible temporary difference can be utilised.

19. Property, plant and equipment

	Work in Progress	*Computer equipment and fixtures and fittings*	*Network*	*Leasehold improvements*	*Total*
	£000	***£000***	***£000***	***£000***	***£000***
Cost					
At 1 January 2019	-	6,190	19,807	1,612	27,609
Additions	1,106	87	1,560	5	2,758
Transfers	(35)	-	35	-	-
Foreign exchange adjustment	-	(16)	(52)	(12)	(80)
At 31 December 2019	**1,071**	**6,261**	**21,350**	**1,605**	**30,287**
Additions	871	230	220	62	1,383
Transfers	(1,490)	43	1,435	12	-
Foreign exchange adjustment	-	-	19	(14)	5
At 31 December 2020	**452**	**6,534**	**23,024**	**1,665**	**31,675**
Depreciation and impairment					
At 1 January 2019	-	5,961	17,902	1,523	25,386
Charge for the year	-	80	1,271	61	1,412
Disposals	-	-	-	-	-
Foreign exchange adjustment	-	(12)	(35)	(10)	(57)
At 31 December 2019	**-**	**6,029**	**19,138**	**1,574**	**26,741**
Charge for the year	-	147	1,522	60	1,729
Disposals	-	-	-	-	-
Foreign exchange adjustment	-	5	15	(14)	6
At 31 December 2020	**-**	**6,181**	**20,675**	**1,620**	**28,476**
Net book value					
At 31 December 2020	**452**	**353**	**2,349**	**45**	**3,199**
At 31 December 2019	1,071	232	2,212	31	3,546
At 1 January 2019	-	229	1,905	89	2,223

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For the year ended 31 December 2020

20. Intangible assets

	Work in progress	*Telcom licenses*	*Goodwill*	*Development costs*	*Total*
	£000	**£000**	**£000**	**£000**	**£000**
Cost					
At 1 January 2019	1,071	241	7,278	45,268	53,858
Additions	-	-	-	4,582	4,582
Foreign exchange adjustment	-	(7)	(38)	(42)	(87)
At 31 December 2019	**1,071**	**234**	**7,240**	**49,808**	**58,353**
Additions	615	-	-	7,021	7,636
Transfers	(976)	-	-	976	-
Foreign exchange adjustment	-	(8)	-	3	(5)
At 31 December 2020	**710**	**226**	**7,240**	**57,808**	**65,984**
Amortisation and impairment					
At 1 January 2019	-	231	6,295	39,929	46,455
Amortisation	-	10	-	2,599	2,609
Impairment	-	-	954	-	954
Foreign exchange adjustment	-	(7)	(9)	(54)	(70)
At 31 December 2019	**-**	**234**	**7,240**	**42,474**	**49,948**
Amortisation	-	-	-	4,605	4,605
Foreign exchange adjustment	-	(8)	-	(1)	(9)
At 31 December 2020	**-**	**226**	**7,240**	**47,078**	**54,544**
Net book value					
At 31 December 2020	**710**	**-**	**-**	**10,730**	**11,440**
At 31 December 2019	1,071	-	-	7,334	8,405
At 1 January 2019	1,071	10	983	5,339	7,403

For impairment testing, goodwill acquired through business combinations was allocated to the Cellnetrix GmbH group of companies which is also a separate reportable business unit. The carrying amount of goodwill allocated to this cash-generating unit (CGU) was £954,000 on 1 January 2019.

The Group performed its annual impairment test at 1 January 2019 and 31 December 2019. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2019, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of goodwill and impairment of the assets of the operating segments.

Cellnetrix GmbH

The recoverable amount of the CGU is determined based on the fair value less costs to sell. The projected cash flows have been updated to reflect the decreased demand for products and services. The pre-tax discount rate applied to cash flow projections is 15% (2018: 15%) and cash flows beyond the five-year period are extrapolated using a 7% growth rate (2018: 7%). It was concluded that the fair value less costs of disposal did not exceed the value in use.

Notes to the financial statements

For the year ended 31 December 2020

20. Intangible assets (continued)

As a result of the analysis, there is headroom of £4k at 1 January 2019 and management did not identify an impairment for this CGU. At 31 December 2019, the Group fully impaired the goodwill which was recorded as a result of the acquisition of the Cellnetrix group of companies. Management has recognised an impairment charge of £954k in the year ended 31 December 2019 against goodwill with a carrying amount of £954k as at 1 January 2019. The impairment charge is recorded within administrative expenses in the statement of profit or loss.

21. Financial assets and financial liabilities

Financial assets

	2020	***2019***	***2018***
	£000	***£000***	***£000***
Debt instruments at amortised cost			
Trade and other receivables	**20,018**	10,808	21,937
Total financial assets*	**20,018**	10,808	21,937
Total Current	**18,980**	9,721	20,591
Total non-current	**1,038**	1,087	1,346

***Financial liabilities: Leases**

	2020	***2019***	***2018***
	£000	***£000***	***£000***
Current			
Lease liabilities	**2,746**	2,635	3,204
Non-current			
Lease liabilities	**3,782**	6,304	8,603
Total	**6,528**	8,939	11,807

Other financial liabilities

	2020	***2019***	***2018***
	£000	***£000***	***£000***
Other financial liabilities at amortised cost, leases			
Trade and other payables	**20,864**	18,757	18,279
Total other financial liabilities	**20,864**	18,757	18,279
Total current	**19,076**	16,979	18,279
Total non-current	**1,788**	1,778	-

Financial instruments risk management objectives and policies

The Group's principal financial liabilities comprise lease liabilities, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, and cash at bank and in hand that derive directly from its operations.

Notes to the financial statements

For the year ended 31 December 2020

21. Financial assets and financial liabilities (continued)

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management ensures that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and price risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt investments.

The sensitivity analyses in the following sections relate to the position as at 31 December in 2020 and 2019.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2020.

The analyses exclude the impact of movements in market variables on: the carrying values of pension and other post-retirement obligations; provisions; and the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2020 and 2019 including the effect of hedge accounting.

  The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges and hedges of a net investment in a foreign operation at 31 December 2019 for the effects of the assumed changes of the underlying risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

The Group has international sales and operations in 12 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.

Foreign currency risk

	Change in GBP Rate	***Effect on profit before tax***
		£000
2020	*10%*	45
2019	*10%*	143

Exchange rate risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. The symmetric basis assumes that an increase or decrease in foreign exchange movement would result in the same amount. The method assumes the currency in question (GBP in this case) is used as a stable denominator.

The impact on the Group's profit before tax due to changes in the fair value of material monetary assets and liabilities was calculated by applying a 10% sensitivity to the historical exchange as at 31 December which the Group has deemed to a reasonable approximation of change. A 10% appreciation(+)/depreciation(-) of the GBP against other transactional currencies would have impacted the Group's profit before tax by +/-£45k in 2020 (+/-£145k in 2019).

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For the year ended 31 December 2020

21. Financial assets and financial liabilities (continued)

Price risk

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

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. 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.

Trade receivables

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days.

For terms and conditions relating to related party receivables, refer to Note 32.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

31 December 2020

	Trade receivables					
		Days past due				
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	£000	£000	£000	£000	£000	£000
Expected credit loss rate	0.72%	1.50%	9.92%	21.78%	14.08%	4.57%
Estimated total gross carrying amount at default	3,873	1,899	575	393	810	7,550
Expected credit loss	(28)	(29)	(57)	(86)	(114)	(314)

31 December 2019

	Trade receivables					
		Days past due				
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	£000	£000	£000	£000	£000	£000
Expected credit loss rate	0.81%	1.23%	10.02%	16.77%	10.38%	3.91%
Estimated total gross carrying amount at default	4,384	2,428	594	533	1,148	9,087
Expected credit loss	(30)	(30)	(60)	(89)	(119)	(328)

Notes to the financial statements

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21. Financial assets and financial liabilities (continued)

1 January 2019

	Trade receivables					
		Days past due				
	Current	***<30 days***	***30-60 days***	***61-90 days***	***>91 days***	***Total***
	£000	***£000***	***£000***	***£000***	***£000***	***£000***
Expected credit loss rate	**1.84%**	**4.38%**	**10.36%**	**26.91%**	**9.79%**	**9.14%**
Estimated total gross carrying amount at default	**4,185**	**1,150**	**486**	**187**	**514**	**6,522**
Expected credit loss	**(77)**	**(50)**	**(50)**	**(50)**	**(50)**	**(277)**

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. Refer note 2.3 further details on going concern.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Year ended 31 December 2020	***On demand***	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***>5 years***	***Total***
	£000	***£000***	***£000***	***£000***	***£000***	***£000***
Lease liabilities	-	-	2,746	3,763	19	6,528
Trade and other payables	-	4,729	7,667	-	-	12,396
Other financial liabilities	61	5,091	1,362	-	-	6,514
	61	**9,820**	**11,775**	**3,763**	**19**	**25,438**

Notes to the financial statements

For the year ended 31 December 2020

21. Financial assets and financial liabilities (continued)

Year ended 31 December 2019	***On demand***	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***>5 years***	***Total***
	£000	***£000***	***£000***	***£000***	***£000***	***£000***
Lease liabilities	-	-	2,635	6,277	27	8,939
Trade and other payables	-	5,883	5,568	-	-	11,451
Other financial liabilities	79	3,673	1,062	-	-	4,814
	79	**9,556**	**9,265**	**6,277**	**27**	**25,204**

As at 1 January 2019	***On demand***	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***>5 years***	***Total***
	£000	***£000***	***£000***	***£000***	***£000***	***£000***
Lease liabilities	-	3	3,194	8,574	36	11,807
Trade and other payables	-	5,022	8,069	-	-	13,091
Other financial liabilities	277	3,996	449	-	-	4,722
	277	**9,021**	**11,712**	**8,574**	**36**	**29,620**

Changes in liabilities arising from financing activities

	1 January 2020	***Cash flows***	***Foreign exchange movement***	***Changes in fair values***	***New leases***	***Other***	***31 December 2020***
	£000	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***
Current lease liabilities	2,635	(50)	4	-	158	-	2,747
Non-current lease liabilities	6,304	(3,237)	31	-	683	-	3,781
Total liabilities from financing activities	**8,939**	**(3,287)**	**35**	**-**	**841**	**-**	**6,528**

Notes to the financial statements

For the year ended 31 December 2020

21. Financial assets and financial liabilities (continued)

	1 January 2019	Cash flows	Foreign exchange movement	Changes in fair values	New leases	Other	31 December 2019
	£000	£000	£000	£000	£000	£000	£000
Current lease liabilities	3,266	(850)	(5)	-	128	-	2,539
Non-current lease liabilities	8,541	(2,909)	(200)	-	969	-	6,401
Total liabilities from financing activities	**11,807**	**(3,759)**	**(205)**	**-**	**1,097**	**-**	**8,940**

22. Inventories

	2020	2019	1 January 2019
	£000	£000	£000
Finished goods (at lower of cost and net realisable value)	174	159	111
Total inventories at the lower of cost and net realisable value	**174**	**159**	**111**

The stocks expensed during the year were £799k (2019: £1,548).

23. Trade and other receivables

	2020	2019	1 January 2019
	£000	£000	£000
Receivables from third-party customers	**7,550**	9,087	6,522
Other receivables	**10,688**	301	13,285
Other taxation and social security	**1,056**	661	1,061
Allowance for expected credit losses	**(314)**	(328)	(277)
	18,980	9,721	20,591
Non-current financial assets	**1,038**	1,086	1,347

Included within other receivables is £10m of deferred consideration, which has all been collected following the year end.

Terms and conditions of the above financial assets:

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days.

For terms and conditions relating to other (related party) receivables, refer to Note 32.

The non – current financial assets relate to supplier Deposits and Letters of Credit.

Notes to the financial statements

For the year ended 31 December 2020

24. Cash and cash equivalents

	2020	*2019*	*1 January 2019*
	£000	*£000*	*£000*
Cash at bank and in hand	**7,451**	4,648	5,756

25. Issued capital and reserves

Issued share capital

	2020	*2019*
	£000	*£000*
Allotted, called up and fully paid		
280,436,714 Ordinary shares of £0.00001 each (2019: 261,328,434 Ordinary shares of £0.00001 each)	**3**	3
760 B Ordinary shares of £0.00001 each (2019: 760 B Ordinary shares of £0.00001 each)	**-**	-
14,397 D Ordinary shares of £0.00001 each (2019: 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 30.

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs. At 31 December 2020 the share premium account stood at £537,717k (2019: £507,717k).

OCI items, net of tax

The disaggregation of changes of OCI by each type of reserve in equity of group is shown below:

Year ended 31 December 2020

	Foreign currency translation reserve	*Retained earnings*	*Total*
	£000	**£000**	**£000**
Exchange differences on translation of foreign operations	(746)	-	(746)

31 December 2019

	Foreign currency translation reserve	**Retained earnings**	**Total**
	£000	**£000**	**£000**
Exchange differences on translation of foreign operations	1,284	-	1,284

26. Provisions

	Onerous suppliers	*Onerous leases*	*Other*	*Total*
	£000	***£000***	***£000***	***£000***
At 1 January 2020	1,206	199	121	1,526
Utilised in the year	-	-	-	-
Unused amounts reversed to the profit and loss account	(90)	-	-	(90)
Charged to the profit and loss account	125	(12)	-	113
At 31 December 2020	**1,241**	**187**	**121**	**1,549**

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.

27. Trade and other payables

	2020	*2019*	*1 January 2019*
	£000	***£000***	***£000***
Trade creditors	**1,959**	2,500	1,979
Taxation and social security	**2,737**	2,110	2,049
Other creditors	**159**	94	250
Deferred income	**684**	136	-
Accruals	**13,537**	12,139	14,001
	19,076	16,979	18,279
Creditors: amounts falling due after more than one year			
Accruals	**1,788**	1,778	-
Total trade and other payables	**20,864**	18,757	18,279

The accrual due after more than one year represents a long-term management bonus accrual.

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-day terms
- Other payables are non-interest bearing and have an average term of between 1 to 12 months
- For explanations on the Group's liquidity risk management processes, refer to Note 21.

Notes to the financial statements

For the year ended 31 December 2020

28. Leases

The Group has lease contracts for various items of land and buildings used in its operations. Leases of towers generally have lease terms between 9 and 10 years, data centres between 3 and 5 years and offices between 2 and 3 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios.

There are several lease contracts that include extension and termination options, which are further discussed below.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Group

	Data Centres	*Offices*	*Towers*	*Total*
	£000	*£000*	*£000*	*£000*
Cost				
At 1 January 2019	7,852	3,867	88	11,807
Additions	74	335	-	409
Depreciation expense	(1,957)	(1,398)	(19)	(3,374)
At 31 December 2019	**5,969**	**2,804**	**69**	**8,842**
Additions	-	334	-	334
Depreciation expense	(1,624)	(1,269)	(7)	(2,900)
At 31 December 2020	**4,345**	**1,869**	**62**	**6,276**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

Group

	2020	*2019*	*1 January 2019*
	£000	*£000*	*£000*
As at 1 January	8,939	11,807	
Additions	333	409	
Accretion of interest	508	686	
Foreign exchange adjustment	31	(204)	
Payments	(3,283)	(3,759)	
As at 31 December	**6,528**	**8,939**	**11,807**
Current	2,746	2,635	3,204
Non-current	3,782	6,304	8,603

The maturity analysis of lease liabilities is disclosed in Note 21.

The following are the amounts recognised in profit or loss:

	2020	*2019*
	£000	*£000*
Depreciation expense of right-of-use assets	2,900	3,375
Interest expense on lease liabilities	508	686
Total amount recognised in profit or loss	**3,408**	**4,061**

The Group had total cash outflows for leases of £3.3m in 2020 (£3.8m in 2019). The Group also had non-cash additions to right-of-use assets and lease liabilities of £841k in 2020 (£1.1m in 2019).

28. Leases (continued)

Lease payments are usually fixed, with the exception of Data Centres which contain a variable element (deemed immaterial for 2019 and 2020).

The Group has several lease contracts that include extension and termination options. The lease term is the non-cancellable period of the lease adjusted for the impact of any extension options that the Group is reasonably certain will be exercised, or termination options that the Group is reasonably certain will not be exercised. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. The Group is reasonably certain that it will not be exercising termination options on any of the existing lease contracts, whereas it will be exercising extension options on Data Centres and Towers, along with Offices if the existing lease expires before 31 December 2021.

29. Pension commitments

The Group operates defined contribution pension schemes. The charge for the year represents contributions payable by the Group to the fund and amounted to £506k (2019: £361k) paid into defined contribution pension schemes. There is an accrual at the year-end of £46k (2019: £19k).

30. Share-based payments

The expense recognised for employee services received during the year is shown in the following table:

	2020	*2019*
	£000	*£000*
Expense arising from equity-settled share-based payment transactions	**(95)**	(32)
Expense arising from cash-settled share-based payment transactions	**319**	-
Total expense arising from share-based payment transactions	**224**	(32)

Share options – scheme 1 stock-based compensation plan (SBC)

At 31 December 2020 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:

	2020		*2019*	
	Number	*Weighted average exercise price*	*Number*	*Weighted average exercise price*
Outstanding at 1 January	**38,500.00**	**£8.64**	43,400.00	£8.64
Granted during the year	-	-	-	-
Forfeited during the year	-		(200.00)	£8.64
Exercised during the year	-	-	-	-
Expired during the year	**(38,500.00)**	**£8.64**	(4,700.00)	£8.64
Outstanding at 31 December	-	-	38,500.00	-
Exercisable at 31 December	-	-	38,500.00	-

The weighted average remaining contractual life for the share options outstanding as at 31 December 2020 was nil years (2019: 0.4 years).

The weighted average fair value of options granted during the year was nil (2019: nil).

The range of exercise prices for options outstanding at the end of the year was £8.64 to £8.64 (2019: £8.64 to £8.64).

Notes to the financial statements

For the year ended 31 December 2020

30.Share-based payments (continued)

Share options – Scheme 2 Unapproved

At 31 December 2020, 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 2020 is shown below:

	2020		2019	
	Number	***Weighted average exercise price***	***Number***	***Weighted average exercise price***
Outstanding at 1 January	**1,335,000.00**	**£2.00**	1,495,000.00	£2.00
Granted during the year	-	-	-	-
Forfeited during the year	**(45,000.00)**	**£2.00**	(160,000.00)	£2.00
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 31 December	**1,290,000.00**	**£2.00**	1,335,000.00	
Exercisable at 31 December	**1,290,000.00**		1,335,000.00	

The weighted average remaining contractual life for the share options outstanding as at 31 December 2020 was 4.2 years (2019: 5.2 years).

The weighted average fair value of options granted during the year was £2.00 (2019: £2.00).
The range of exercise prices for options outstanding at the end of the year was £2.00 to £2.00 (2019: £2.00 to £2.00).
The total (credit)/charge for the year relating to employee share based payment plans was £(65k) (2019: £(32k)), all of which related to equity-settled share-based payment transactions. After deferred tax, the total charge was £(65k) (2019: £(32k)).

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.

Share options – Scheme 3 Share appreciation options – cash-settled (SAO)

At 31 December certain company employees were part of a share appreciation option scheme operated by the Company. Under the plan the employees are granted share appreciation rights in the form of options. A maximum of 30% of the options are granted in three tranches, over three years, and each option has a vesting period of one year. The remaining options grant upon an exit event, and vest immediately. The options are granted at an exercise price determined by the Company which shall not be less than the nominal value of a share. Options granted prior to an exit event are settled in cash. Options granted after an exit event are settled as shares, which must then be immediately exchanged for cash at a price equal to the market value of the share on the day of acquisition. Options will lapse following the tenth anniversary of the grant date.

The carrying amount of the liability relating to the SARs at 31 December 2020 was £319k. A reconciliation of option movements over the year ended 31 December is shown below:

Notes to the financial statements

For the year ended 31 December 2020

30. Share-based payments (continued)

	Number	*Weighted average exercise price*
Outstanding at 1 January	-	-
Granted during the year	**319,379.31**	**£0.01**
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at 31 December	**319,379.31**	
Exercisable at 31 December		

The weighted average remaining contractual life for the share options outstanding as at 31 December 2020 was 9.5 years.

The weighted average fair value of options granted during the year was £1.00.

The range of exercise prices for options outstanding at the end of the year was £0.01 to £0.01.

Employee Benefit trust

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

A reconciliation of option movements over the year ended 31 December 2020 is shown below:

	2020		*2019*	
	Number	*Weighted average exercise price*	*Number*	*Weighted average exercise price*
Outstanding at 1 January	**1,500,000**	**£2.00**	1,500,000	£2.00
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 31 December	**1,500,000**	**£2.00**	1,500,000	£2.00
Exercisable at 31 December				

The range of exercise prices for options outstanding at the end of the year was £2.00 to £2.00 (2019: £2.00 to £2.00).

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 (2019: £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.

30. Share-based payments (continued)

The following tables list the inputs to the models used for the two material plans for the years ended 31 December 2020 and 2019, respectively:

	2020	***2020***
	Scheme 1	***Scheme 2***
Weighted average fair values at the measurement date		
Dividend yield (%)	0%	0%
Expected volatility (%)	100%	100%
Risk-free interest rate (%)	3.2%	0.9%
Expected life of share options (years)	3	3
Weighted average share price (£)	8.64	2.00
Model used	Black-Scholes	Black-Scholes

	2019	***2019***
	Scheme 1	***Scheme 2***
Weighted average fair values at the measurement date		
Dividend yield (%)	0%	0%
Expected volatility (%)	100%	100%
Risk–free interest rate (%)	3.2%	0.9%
Expected life of share options (years)	3	3
Weighted average share price (£)	8.64	2.00
Model used	Black-Scholes	Black-Scholes

31. Commitments and contingencies

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 2020 amounted to £17,134k (2019: £21,401k).

32. Related party disclosures

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 £35m. The share will be fully paid up on issue of the following basis:

- £5,000k was received in February 2020, £10,000k was received in March 2020, and £5,000k was received in June 2020.
- Between January and July 2021, the Group received the remaining £15,000k from an issue of ordinary shares.

Under an agreement dated 24th September 2021, the Group reached further agreement with Vollin Holdings Limited and Norma Investments Limited to borrow up to £25m for general use in the business. This facility is committed and unconditional in terms of access and utilisation. Any amounts drawn down under this facility should be repaid on the 3rd anniversary including annual interest at the rate of 5%.

The Group had no loan amounts at the balance sheet date owing to Directors (2019: £nil).

Notes to the financial statements

For the year ended 31 December 2020

33. 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 below for disclosure regarding key management compensation.

Compensation of key management personnel of the Group

	2020	***2019***
	£000	***£000***
Short-term employee benefits	**2,908**	3,025
Post-employment pension and medical benefits	**73**	49
Termination benefits	**-**	53
Total compensation paid to key management personnel	**2,981**	3,127

Directors' interests in the B Shares

Members of the Board of Directors held 0% of the B Shares. Holders of B 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.

34. 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.

35. Events after the reporting period

Between January and July 2021, the Group received the remaining £15,000k from an issue of ordinary shares which was underwritten (based on an agreement signed on 5 February 2020) by its shareholders, Vollin Holdings Limited and Minden Worldwide Ltd).

Under an agreement dated 24th September 2021, the Group reached further agreement with Vollin Holdings Limited and Norma Investments Limited to borrow up to £25m for general use in the business. This facility is committed and unconditional in terms of access and utilisation. Any amounts drawn down under this facility should be repaid on the 3rd anniversary including annual interest at the rate of 5%.

Company statement of financial position

As at 31 December 2020

	Note	2020 £000	2019 £000
ASSETS			
Non-current assets			
Property, plant, and equipment	4	**2,889**	3,354
Intangible assets	5	**11,450**	8,213
Right-of-use assets	14	**4,037**	5,740
Non-current financial assets	8	**963**	583
Investments in subsidiaries	6	**101**	101
Total non-current assets		**19,440**	17,991
Current assets			
Inventories	7	**141**	112
Trade and other receivables	8	**12,799**	3,168
Prepayments and accrued income		**2,820**	2,207
Cash and cash equivalents	9	**3,076**	2,284
Total current assets		**18,836**	7,771
TOTAL ASSETS		**38,276**	25,762
EQUITY AND LIABILITIES			
Equity			
Issued capital	10	**(3)**	(3)
Share premium account	10	**(537,717)**	(507,717)
Accumulated losses		**533,287**	507,777
Total equity		**(4,433)**	57
Non-current liabilities			
Lease liabilities	14	**(2,546)**	(4,251)
Other non-current financial liabilities	12	**(1,510)**	(1,511)
Provisions	11	**(1,086)**	(982)
Total non-current liabilities		**(5,142)**	(6,744)
Current liabilities			
Trade and other payables	12	**(26,699)**	(17,241)
Refund liability		**(303)**	(242)
Lease liabilities	14	**(1,699)**	(1,592)
Total current liabilities		**(28,701)**	(19,075)
Total liabilities		**(33,843)**	(25,819)
TOTAL EQUITY AND LIABILITIES		**(38,276)**	(25,762)

The Company's profit and loss account shows a loss for its financial year of £25,510 (2019: £25,090k). The Company financial statements on pages 71 to 92 were authorised for issue by the board of directors on 27 September 2021 and were signed on its behalf.

Ralph Steffens
Chief Executive Officer

27th September 2021

Company statement of changes in equity

As at 31 December 2020

	Notes	*Issued capital* £000	*Share premium* £000	*Accumulated losses* £000	*Total equity* £000
As at 1 January 2019		**3**	**501,717**	**(482,586)**	**19,134**
Profit/(loss) for period				(25,090)	(25,090)
Total comprehensive income/(loss)				(25,090)	(25,090)
Share based payments				(101)	(101)
Issue of share capital	10		6,000		6,000
As at 31 December 2019		**3**	**507,717**	**(507,777)**	**(57)**
Profit/(loss) for period				(25,510)	(25,510)
Total comprehensive loss				(25,510)	(25,510)
Issue of share capital	10		30,000		30,000
As at 31 December 2020		**3**	**537,717**	**(533,287)**	**4,433**

Notes to the Company financial statements

for the year ended 31 December 2020

1. Authorisation of financial statements and statement of compliance with FRS 101

The parent company financial statements of Truphone Limited (the "Company") for the year ended 31 December 2020 were authorised for issue by the board of directors on 27th September 2021 and the balance sheet was signed on the board's behalf by Ralph Steffens, Chief Executive Officer.

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

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101), in conformity with the requirements of the Companies Act 2006. For all periods up to and including the year ended 31 December 2019, 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). These financial statements for the year ended 31 December 2020 are the first the Company has prepared in accordance with FRS 101.

The Company financial statements have been prepared on a historical cost basis. The company financial statements are presented in sterling and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

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 results of Truphone Limited are included in the consolidated financial statements of Truphone Limited Group (see above).

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2020.

2. Significant accounting policies

The principal accounting policies applied by Truphone Limited in the preparation of these Company financial statements are set out below.

2.1 Basis of preparation

The Company has transitioned to FRS 101 from previously extant UK Generally Accepted Accounting Practice for all periods presented.

Transition tables showing all material adjustments are disclosed in note 19. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2020.

The Company has taken advantage of the following disclosure exemptions under FRS 101 paragraphs 7A to 9:

a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment:

b) the requirements of IFRS 7 Financial Instruments: Disclosures,

c) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

d) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.

   The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

e) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:

   (i) paragraph 79(a)(iv) of IAS 1;

   (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;

   (iii) paragraph 118(e) of IAS 38 Intangible Assets;

f) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;

g) the requirements of IAS 7 Statement of Cash Flows;

Notes to the Company financial statements

for the year ended 31 December 2020

2.1 Basis of preparation (continued)

h) the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;

i) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and

j) the requirements of IFRS 1 First-time Adoption of International Financial Reporting Standards paragraphs 6 to 21 to present an opening statement of financial position at transition.

k) Requirements of IAS 36 Impairment of Assets
   (i) paragraph 130(f)(ii) to 130(f)(iii)
   (ii) paragraph 134(d) to 134(f)
   (iii) paragraph 135(c) to 135(e)

2.2 Going concern

The Company made a loss for the financial year of £25,510k (2019: loss of £25,090k).

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

The Group is well positioned for Growth, particularly across its eSIM use cases and expects trading prospects to improve as the impact of the global pandemic recedes and customer procurement strategies accelerate (including eSIM adoption rates).

The Group's post year end trading performance combined with investment and funding secured on an unconditional committed basis as detailed below provides cash resources sufficient to deliver the business plan substantially beyond 2021 into 2022.

- Between January and July 2021, the Group received the remaining £15,000k from an issue of ordinary shares which was underwritten (based on an agreement signed on 5 February 2020) by its shareholders, Vollin Holdings Limited and Minden Worldwide Ltd.
- Under an agreement dated 24th September 2021, the Group reached further agreement with Vollin Holdings Limited and Norma Investments Limited to borrow up to £25m for general use in the business. This facility is committed and unconditional in terms of access and utilisation. Any amounts drawn down under this facility should be repaid on the 3rd anniversary including annual interest at the rate of 5%.

The Group is actively in engaged in securing further funding beyond the amounts already committed, to enable accelerated investment in pursuit of the eSIM market opportunity. The rate of investment, which is mainly but not exclusively staffing related (sales, marketing and software development) will be carefully managed having due regard for trading performance and availability of committed funding from time to time.

Finally, the Group's existing shareholders remain fully supportive of the company and its strategy and have indicated a willingness to provide further funding to enable the Group to respond to opportunities which may emerge including 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 2020 on a going concern basis.

2.3 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

2.3 Current versus non-current classification (continued)

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.4 Taxes

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available, against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 Taxes (continued)

Value added tax and other sales related taxation

Expenses and assets are recognised net of the amount of VAT and other sales tax, except:

- When the VAT and other sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of VAT and other sales tax included.

The net amount of VAT and other sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.5 Foreign currencies

The Company's financial statements are presented in pound sterling, which is also the parent company's functional currency. For each entity, the Company determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Company uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Company's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the

Company determines the transaction date for each payment or receipt of advance consideration.

2.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Construction in progress is stated at cost, net of accumulated impairment losses, if any.

Cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net

2.6 Property, plant and equipment (continued)

disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.7 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.

2.8 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Data Centres	3 – 5 years
Offices	2 – 3 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 2.11 Impairment of non-financial assets.

(b) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It

2.8 Leases (continued)

also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.9 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of Intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, Intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of Intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on Intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the Intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale.
- Its intention to complete and its ability and intention to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Assets in the course of construction

Assets in the course of construction ("Work in Progress") are stated at cost. These assets are not depreciated until they are available for use.

Telecom licences

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

A summary of the policies applied to the Company's Intangible assets is, as follows:

2.9 Intangible assets (continued)

	Development costs	Telecom licenses
Useful lives	3 years	3 – 5 years
Amortisation method used	Straight-line	Straight-line
Internally generated or acquired	Internally generated	Acquired

2.10 Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a first-in/first-out basis.
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.11 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

For assets an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.12 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

Notes to the Company financial statements

for the year ended 31 December 2020

2.13 Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Onerous contracts

If the Company has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Company recognises any impairment loss that has occurred on assets dedicated to that contract.

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

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

2.14 Pensions and other post-employment benefits

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

(a) 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.

(b) Defined contribution pension plans

The Company operates a number of country-specific defined contribution plans for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense 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 Company in independently administered funds.

2.15 Share-based payments

The Company operates unapproved cash-settled, share-based compensation plans.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 30 to the Consolidated Group financial statements. That cost is recognised in employee benefits expenses, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and

2.15 Share-based payments (continued)

lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

Cash-settled transactions

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense (see Note 16 to the Consolidated Group financial statements). The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The approach used to account for vesting conditions when measuring equity-settled transactions also applies to cash-settled transactions.

Employer's National Insurance on share options

Under unapproved share option schemes, the Company 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 Company becomes unconditionally Liable to pay the National Insurance upon exercise of the options. The Company 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 Company and exercise their options, the market price of the shares at the time of exercise and the prevailing National Insurance rates at the time.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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.

Determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Company has several lease contracts that include extension and termination options. The lease term is the non-cancellable period of the lease adjusted for the impact of any extension options that the Company is reasonably certain will be exercised, or termination options that the Company is reasonably certain will not be exercised. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with

Notes to the Company financial statements

for the year ended 31 December 2020

3. Significant accounting judgements, estimates and assumptions (continued)

the Company's business needs. The Company is reasonably certain that it will not be exercising termination options on any of the existing lease contracts, whereas it will be exercising extension options on Data Centres and Towers, along with Offices if the existing lease expires before 31 December 2021.

Estimates

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Where there are indicators of impairment of individual assets, the Company 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.

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them.

The Company initially measures the cost of cash-settled transactions with employees using the Black-Scholes Merton (BSM) model to determine the fair value of the liability incurred. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in profit or loss. This requires a reassessment of the estimates used at the end of each reporting period.

For the measurement of the fair value of equity settled transactions with employees at the grant date, the Company uses the Black-Scholes Merton (BSM) model. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 30 to the Consolidated Group financial statements.

Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the probable outflow of resources, and a reliable estimate can be made of the amount of the obligation.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. The Directors rely on external legal advice to assess the likelihood that amounts will be due under terminated contracts, to quantify the possible range of that contingent liability, and to how that contingent liability should be disclosed in the financial statements. Due to the inherent uncertainty in this process, actual liabilities may be different from those originally estimated.

4. Property, plant and equipment

	Work in Progress	*Computer equipment and fixtures and fittings*	*Network*	*Leasehold improvements*	*Total*
	£000	***£000***	***£000***	***£000***	***£000***
Cost					
At 1 January 2019	-	5,343	17,479	1,104	23,926
Additions	1,100	40	1,525	(0)	2,665
Transfers	(35)	-	35	-	-
At 31 December 2019	**1,065**	**5,383**	**19,039**	**1,104**	**26,591**
Additions	849	60	224	-	1,133
Transfers	(1,545)	12	1,533	-	-
At 31 December 2020	**369**	**5,455**	**20,796**	**1,104**	**27,724**
Depreciation and impairment					
At 1 January 2019	-	5,183	15,706	1,052	21,941
Charge for the year	-	53	1,209	34	1,296
At 31 December 2019	**-**	**5,236**	**16,915**	**1,086**	**23,237**
Charge for the year	-	65	1,515	18	1,598
At 31 December 2020	**-**	**5,301**	**18,430**	**1,104**	**24,835**
Net book value					
At 31 December 2020	**369**	**154**	**2,366**	**-**	**2,889**
At 31 December 2019	1,065	147	2,124	18	3,354
At 1 January 2019	-	160	1,773	52	1,985

5. Intangible assets

	Work in progress	*Goodwill*	*Development costs*	*Total*
	£000	***£000***	***£000***	***£000***
Cost				
At 1 January 2019	1,064	3,710	44,790	49,564
Additions	-	-	4,582	4,582
At 31 December 2019	**1,064**	**3,710**	**49,372**	**54,146**
Additions	610	-	7,178	7,788
Transfers	(969)	-	969	-
At 31 December 2020	**705**	**3,710**	**57,519**	**61,934**
Amortisation and impairment				
At 1 January 2019	-	3,710	39,698	43,408
Amortisation	-	-	2,525	2,525
At 31 December 2019	**-**	**3,710**	**42,223**	**45,933**
Amortisation	-	-	4,551	4,551
At 31 December 2020	**-**	**3,710**	**46,774**	**50,484**
Net book value				
At 31 December 2020	**705**	**-**	**10,745**	**11,450**
At 31 December 2019	1,064	-	7,149	8,213
At 1 January 2019	1,064	-	5,092	6,156

6. Investments in subsidiaries

Shares in subsidiary undertakings	***£000***
Cost	
At 1 January 2020	5,042
At 31 December 2020	**5,042**
Provision	
At 1 January 2020	(4,941)
At 31 December 2020	**(4,941)**
Net book amount	
At 31 December 2020	**101**
At 31 December 2019	101

There have been no investment additions in the year (2019: £52k).

7. Inventories

	2020 £000	2019 £000
Finished goods (at lower of cost and net realisable value)	141	112
Total inventories at the lower of cost and net realisable value	**141**	112

The stocks expensed during the year were £267k (2019: £681k).

8. Trade and other receivables

	2020 £000	2019 £000
Receivables from third-party customers	**2,035**	3,166
Other receivables	**10,007**	51
Other taxation and social security	**710**	-
	12,752	3,217
Allowance for expected credit losses	**47**	(49)
	12,799	**3,168**
Non-current financial assets	**963**	**583**

Terms and conditions of the above financial assets:

- Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days.
- Other receivables relate to deferred consideration from the right issue (refer to Note 10).
- Non-current financial assets relate to supplier deposits and letters of credit.

9. Cash and cash equivalents

	2020 £000	2019 £000
Cash at bank and in hand	**3,076**	2,284

10. Issued capital and reserves

Issued share capital

	2020 £000	2019 £000
Allotted, called up and fully paid		
280,436,714 Ordinary shares of £0.00001 each (2019: 261,328,434 Ordinary shares of £0.00001 each)	3	3
760 B Ordinary shares of £0.00001 each (2019: 760 B Ordinary shares of £0.00001 each)	-	-
14,397 D Ordinary shares of £0.00001 each (2019: 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 Company nor to receive or vote on, or otherwise contribute an eligible member for the purposes of a proposed written resolution of the Company.

The B shares are discussed in Note 30 to the Consolidated Group financial statements.

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs. At 31 December 2020 the Share premium account stood at £537,717k (2019: £507,717k).

OCI items, net of tax

The disaggregation of changes of OCI by each type of reserve in equity of group is shown below:

Year ended 31 December 2020

	Foreign currency translation reserve £000	Retained earnings £000	Total £000
Exchange differences on translation of foreign operations	(746)	-	(746)

Year ended 31 December 2019

	Foreign currency translation reserve £000	Retained earnings £000	Total £000
Exchange differences on translation of foreign operations	1,264	-	1,264

11. Provisions

	Onerous suppliers	Onerous leases	Other	Total
	£000	£000	£000	£000
At 1 January 2020	733	128	121	982
Utilised in the year	-	-	-	-
Unused amounts reversed to the profit and loss account	-	-	-	-
Charged to the profit and loss account	104	-	-	104
At 31 December 2020	**837**	**128**	**121**	**1,086**

Onerous supplier contracts

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

12. Trade and other payables

	2020	*2019*
Creditors: current	***£000***	***£000***
Trade creditors	**1,572**	1,568
Amounts owed to Company undertakings	**17,914**	8,779
Taxation and social security	**1,029**	417
Accruals and deferred income	**6,184**	6,477
	26,699	17,241
Creditors: non-current		
Other non-current financial liabilities	**1,510**	1,511
	28,209	18,751

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30 day terms.
- Other payables are non-interest bearing and have an average term of between 1 to 12 months.
- Amounts owed to Company undertakings are unsecured and have no fixed date of repayment.
- Deferred income will be substantially recognised as revenue over the next three years.

13. Pension commitments

The Company operates a defined contribution pension scheme. The charge for the year represents contributions payable by the Company to the fund and amounted to £247k (2019: £217k) paid into defined contribution pension schemes. There is an accrual at the year-end of £2k (2019: £5k).

14. Leases

The Company has lease contracts for various items of land and buildings used in its operations. Leases of data centres are between 3 and 5 years and offices between 2 and 3 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets.

There are several lease contracts that include extension and termination options, which are further discussed below.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the years:

	Data Centres	*Offices*	*Total*
	£000	*£000*	*£000*
Cost			
At 1 January 2019	6,165	1,616	7,781
Additions	-	-	-
Depreciation expense	(1,590)	(451)	(2,041)
At 31 December 2019	**4,575**	**1,165**	**5,740**
Additions	-	-	-
Depreciation expense	(1,252)	(451)	(1,703)
At 31 December 2020	**3,323**	**714**	**4,037**

Set out below are the carrying amounts of lease liabilities and the movements during the years:

	2020	*2019*	*1 January 2019*
	£000	*£000*	*£000*
As at 1 January	5,844	7,781	
Additions	-	-	
Accretion of interest	342	465	
Foreign exchange adjustment	12	(101)	
Payments	(1,953)	(2,301)	
As at 31 December	**4,245**	**5,844**	**7,781**
Current (within one year)	1,699	1,592	1,937
Non-current (between one and five years)	2,546	4,251	5,844

15. Share-based payments

Effect of share-based payment transactions on the company's result and financial position

	2020	*2019*
	£000	*£000*
Total (credit) / expense recognized for equity-settled share-based payment transactions	**(95)**	(32)
Total (credit) / expense recognized for cash-settled share-based payment transactions	**83**	-
Total expense recognized for share-based payment transactions	**(12)**	(32)
Closing balance of liability for cash-settled share-based payment transactions	**83**	-
Total intrinsic value for vested cash-settled share-based payments	**-**	-

16. Commitments and contingencies

The company has entered into a number of 'take-or-pay' agreements with key suppliers. The remaining commitment under these agreements as at 31 December 2020 amounted to £7,545k (2019: £7,599k).

17. Related party disclosures

Related party transactions

Under an agreement dated 5th February 2020 the Company 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, £10,000k was received in March 2020, and £5,000k was received in June 2020
- Between January and July 2021, the Group received the remaining £15,000k from an issue of ordinary shares

Under an agreement dated 24th September 2021, the Group reached further agreement with Vollin Holdings Limited and Norma Investments Limited to borrow up to £25m for general use in the business. This facility is committed and unconditional in terms of access and utilisation. Any amounts drawn down under this facility should be repaid on the 3rd anniversary including annual interest at the rate of 5%.

The Company had no loan amounts at the balance sheet date owing to Directors (2019: £nil).

Other than the transactions disclosed above and in Note 8, the Company's other related party transactions were with wholly owned subsidiaries and so have not been disclosed.

18. Events after the reporting period

Between January and July 2021, the Group received the remaining £15,000k from an issue of ordinary shares which was underwritten (based on an agreement signed on 5 February 2020) by its shareholders, Vollin Holdings Limited and Minden Worldwide Ltd).

Under an agreement dated 24th September 2021, the Group reached further agreement with Vollin Holdings Limited and Norma Investments Limited to borrow up to £25m for general use in the business. This facility is committed and unconditional in terms of access and utilisation. Any amounts drawn down under this facility should be repaid on the 3rd anniversary including annual interest at the rate of 5%.

19. Transition to FRS 101

For all periods up to and including the year ended 31 December 2019, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice UK GAAP (FRS 102). These financial statements, for the year ended 31 December 2020, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2019 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2019, the Company's date of transition to FRS101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 January 2019 prepared under previously extant UK GAAP (FRS 102) and its previously published UK GAAP (FRS 102) financial statements for the year ended 31 December 2019.

On transition to FRS 101, the company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards", except for the requirement of paragraphs 6 and 21 to present an opening statement of financial position and the date of transition.

19. Transition to FRS 101 (continued)

Reconciliation of equity as at 1 January 2019 (date of transition to IFRS)

	Notes	UK GAAP (FRS 102) £000	*Reclassifications* £000	*Remeasurements* £000	*FRS101 as at 1 January 2019* £000
ASSETS					
Non-current assets					
Property, plant and equipment		1,985	-	-	1,985
5Intangible assets		6,156	-	-	6,156
Right-of-use assets	a.	-	-	7,781	7,781
Non-current financial assets		789	-	-	789
Investments in subsidiaries		1,097	-	-	1,097
Total non-current assets		**10,027**	**-**	**7,781**	**17,808**
Current assets					
Inventories		94	-		94
Trade and other receivables	b./c./d./e.	22,454	(1,677)	24	20,801
Prepayments and accrued income	b.	-	1,922	-	1,922
Cash and cash equivalents		2,936	-	-	2,936
Total current assets		**25,484**	**245**	**24**	**25,753**
TOTAL ASSETS		**35,511**	**245**	**7,805**	**43,561**
EQUITY AND LIABILITIES					
Equity					
Issued capital		(3)	-	-	(3)
Share premium		(501,717)	-	-	(501,717)
Retained earnings		482,611	-	(25)	482,586
Total equity		**(19,109)**	**-**	**(25)**	**(19,134)**
Non-current liabilities					
Lease liabilities	a.	-	-	(5,844)	(5,844)
Other non-current financial liabilities		-	-	-	-
Provisions		(497)	-	-	(497)
Total non-current liabilities		**(497)**	**-**	**(5,844)**	**(6,341)**
Current liabilities					
Trade and other payables		(15,904)	-	-	(15,904)
Refund liability	c.	-	(245)	-	(245)
Lease liabilities	a.	-	-	(1,937)	(1,937)
Total current liabilities		**(15,904)**	**(245)**	**(1,937)**	**(18,086)**
Total liabilities		**(16,401)**	**(245)**	**(7,781)**	**(24,427)**
TOTAL EQUITY AND LIABILITIES		**(35,510)**	**(245)**	**(7,806)**	**(43,561)**

19. Transition to FRS 101 (Continued)

Reconciliation of equity as at 31 December 2019

	Notes	UK GAAP (FRS 102)	*Reclassifications*	*Remeasurements*	*FRS 101 as at 31 December 2019*
		£000	*£000*	*£000*	*£000*
ASSETS					
Non-current assets					
Property, plant and equipment		3,354	-	-	3,354
Intangible assets		8,213	-	-	8,213
Right-of-use assets	a.	-	-	5,740	5,740
Non-current financial assets		583	-	-	583
Investments in subsidiaries		101	-	-	101
Total non-current assets		**12,251**	**-**	**5,740**	**17,991**
Current assets					
Inventories		112	-		112
Trade and other receivables	b./c./d./e.	5,057	(1,965)	76	3,168
Prepayments and accrued income	b.	-	2,207	-	2,207
Cash and cash equivalents		2,284	-	-	2,284
Total current assets		**7,453**	**242**	**76**	**7,771**
TOTAL ASSETS		**19,704**	**242**	**5,816**	**25,762**
EQUITY AND LIABILITIES					
Equity					
Issued capital		(3)	-	-	(3)
Share premium		(507,717)	-	-	(507,717)
Retained earnings		507,613	-	164	507,777
Total equity		**(107)**		**164**	**57**
Non-current liabilities					
Lease liabilities	a.	-	-	(4,251)	(4,251)
Other non-current financial liabilities		(1,511)	-	-	(1,511)
Provisions		(982)	-	-	(982)
Total non-current liabilities		**(2,493)**	**-**	**(4,251)**	**(6,744)**
Current liabilities					
Trade and other payables	f.	(17,104)	-	(137)	(17,241)
Refund liability	c.	-	(242)	-	(242)
Lease liabilities	a.	-	-	(1,592)	(1,592)
Total current liabilities		**(17,104)**	**(242)**	**(1,729)**	**(19,075)**
Total liabilities		**(19,597)**	**(242)**	**(5,980)**	**(25,819)**
TOTAL EQUITY AND LIABILITIES		**(19,704)**	**(242)**	**(5,816)**	**(25,762)**

19. Transition to FRS 101 (Continued)

Notes (explanation of the adjustments)

a. Leases:

As at 1 January 2019:
Recognition of a right-of-use asset and corresponding lease liability for £7,781k. The lease liability is split between current (£1,937k) and non-current (£5,844k).

For the year ended 31 December 2019:
Depreciation of £2,041k was recorded in relation to right-of-use assets and £465k of financing costs were recorded in relation to the lease liability. A positive FX revaluation impact of £101k was recorded as a result of revaluing the lease liability as at 31 December 2019. Operating costs of £2,301k, recorded under FRS 102, were removed.

As at 31 December 2019:
There were no additions made to right-of-use assets, resulting in a closing balance of £5,740k. Payments of £2,301k were made against the lease liability, resulting in a closing balance £5,844k, split between current (£1,592k) and non-current (£4,251k).

b. Re-classification of prepayments: £1,922k opening statement of financial position presentational adjustment (31 December 2019: £2,207k) re-classifying prepayments separately from trade and other receivables.

c. Re-classification of refund liability: £245k opening statement of financial position presentational adjustment (31 December 2019: £242k) to disclose the refund liability separately.

d. Reversal of bad debt provision: £86k opening statement of financial position adjustment (31 December 2019: £186k) for reversal of the bad debt provision.

e. Recognition of Expected Credit Loss: £61k opening statement of financial position adjustment to recognise allowance for expected credit losses (31 December 2019: £110k).

f. Deferred revenue: £136k adjustment, as at 31 December 2019, for setup/implementation fees to recognise revenue over the contract period rather than at a point in time.