

Registered number: 04648708

OLIVE BUSINESS SOLUTIONS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020



OLIVE BUSINESS SOLUTIONS LIMITED

COMPANY INFORMATION

Directors	M Geraghty M Flick R Flynn
Registered number	04648708
Registered office	Olive House Mercury Park Wooburn Green High Wycombe Buckinghamshire HP10 0HH
Independent auditors	Hillier Hopkins LLP Chartered Accountants & Statutory Auditor Radius House 51 Clarendon Road Watford Hertfordshire WD17 1HP

OLIVE BUSINESS SOLUTIONS LIMITED

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OLIVE BUSINESS SOLUTIONS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 JANUARY 2020

Introduction

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

Business review

Following on from a successful prior year trading continued positively during the current financial year to 31st January 2020 as the Olive Group continued its evolution from a telecommunication to a technology business, building upon its operational capabilities and delivering increased revenues of £32m.

The year was marked by a continued period of growth following the year-on-year trajectory of increasing Cloud Communication revenues, which have continued to grow organically by 18% in the period to £16.5m, now representing over 51.5% of total sales. Notable wins include a multi-year agreement to provide telephony and digital contact centre capabilities to the UK's second largest Building Society, which when added to multiple mid-market deployments have contributed to an increase of future contracted revenues to more than £63m, underpinning strong quality of earnings.

Traditional mobile revenue stabilised during the year due to the adoption of more predictable "bundled" tariffing and, although continuing to remain a price competitive market, the increasing use of 4G/5G connectivity is likely to mitigate the risk of further market led price erosion.

Continuing investment in Olive's Cloud Managed Service Platform has extended functionality to incorporate Artificial Intelligence and Virtual Agent capabilities both for use internally and within customer propositions. These capabilities provide a "Digital First" engagement model including delivery, management and support experience that will allow Olive to scale quickly and efficiently whilst optimising administrative costs.

Overall revenue grew by 9.3% to £32m, whilst gross margins improved by 12% to £14.3m at a gross margin percentage of 45.3%, with administrative expenses increasing by 4.5%. This supported an 9% increase in EBITDA from £2.1m in FY19 to £2.3m in FY20.

Included in the FY20 EBITDA figure is £0.5m of non-underlying restructuring and related costs that have been incurred to facilitate the continuing evolution of Olive's business to a full Cloud Communications provider supported by a fully integrated technology stack; excluding these costs EBITDA would have increased to £2.8m, representing a 23.4% increase over the prior year EBITDA. Closing cash increased by 11.5% to £2.5m and strong cash conversion helped contribute to a full paydown of all remaining senior debt facilities.

In addition to strong in year trading, Olive's well-established relationship with Vodafone was strengthened with the agreement of a new five-year strategic partnership securing in excess of £125m recurring billed revenues under Olive's management along with strategic access to Vodafone's extensive and complimentary technology portfolio.

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STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2020

Principal risks and uncertainties

The group operates in a highly competitive market and benefits from a number of long-standing relationships with key suppliers and customers. These relationships are a key focus of management attention at all levels of the organisation to maximise business opportunities and manage the risk of any adverse impact on the financial performance of the group.

Changes in the technology market can be swift and this represents a risk to traditional resellers, however Management believe that the Olive Group's strategy shift in 2014 has to a large extent, mitigated this risk. As part of a continued focus on risk management, technology trends that may impact the customers and markets in which the Olive Group operates are regularly reviewed and the development of potential new partnerships to further enhance expertise and to take advantage of opportunities early in the technology life cycle are continually explored and evaluated.

Due to the nature of the business the directors consider that the only financial risks that are relevant to the group are credit, funding and liquidity risk.

Credit risk

The principal credit risk arises from trade debtors. A large proportion of group revenue is derived from revenue share received on a monthly basis from large corporations with high credit ratings. In addition, with no single customer representing more than 5% of recurring revenues, the directors consider the risk of default to be very low.

In order to manage the credit risk of other trade debtors the directors review outstanding balances on a bi-monthly basis taking into account a combination of payment history and third-party credit references to establish if any further actions are required.

Funding and Liquidity risk

Working capital demands from the monthly cash requirements of operations are subject to fluctuations based on the timing of revenue receipts. Risk arises from this due to the need to maintain sufficient cash liquidity. The group has increased its balance of cash and cash equivalents across the year, continues to maintain a close relationship with its bankers, and by design has eradicated senior debt and enjoys solid support from its loan note holders who are also the principal equity holders. In addition, regular detailed cash flow forecasts are prepared and reviewed by the Finance team on a bi-weekly basis and by the Board on a monthly basis.

OLIVE BUSINESS SOLUTIONS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2020

Financial key performance indicators

The table below sets out measures considered by the Board to be key indicators of financial performance for the business:

	2020	2019	% change
Revenue	£31.6m	£28.9m	9.3%
Gross Margin	£14.3m	£12.8m	12.0%
Gross Margin %	45.3%	44.2%	2.5%
EBITDA	£2.3m	£2.1m	9.2%
Operating profit	£1.6m	£0.7m	151.7%
Net Cash from Operations	£2.3m	£3.8m	-39.1%

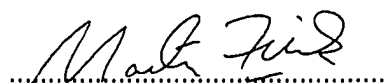
The Olive Group saw revenue increase by 9.3% year-on-year with strong growth in cloud revenue offsetting the decline in mobile revenue which continues to be an extremely price sensitive market and with reduced investment levels by network operators.

Gross margin shows significant improvement as a result of a strong focus on cost of sales ensuring investment is aligned with revenue particularly where this is impacted by competitive pressures in relation to mobile network revenues as noted above.

EBITDA is considered the primary measure of financial performance by the directors and has improved by £0.5m to £2.8m before non-underlying costs and £2.3m after non-underlying costs. This reflects improved operational performance in reducing both direct cost of sales and the overhead cost base.

Net cash from operations reflects the ability of the business to convert EBITDA into cash and as such is monitored closely by the directors. In the year to January 2020 Olive reported £2.3m (2019 - £3.8m) of cash generated from operations with the year-on-year change reflecting the underlying dynamic of investment in working capital as the company continues to build recurring revenues from Cloud Communications. This reflects strong financial management throughout the business.

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



M Flick
Director

Date: 20th October 2020

OLIVE BUSINESS SOLUTIONS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 2020

The directors present their report and the financial statements for the year ended 31 January 2020.

Directors' responsibilities statement

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

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

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

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

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

Results and dividends

The profit for the year, after taxation, amounted to £946,024 (2019 - loss £496,172).

This represents a continued improvement in trading after a strong year-on-year performance in the prior year and resulted in an excellent cash performance with £2.3m, (2019 £3.8m) net cash being generated from operations and the year-end cash balance increasing to £2.5m, (2019 £2.2m).

At an operating level, the profit for the year of £1.6m, (2019 £0.7m) represents a 152% improvement on the prior year. The profitability of the company continued to be negatively impacted by the amortisation of intangible acquisition costs although these costs are due to significantly diminish going forward and the impact of this, in addition to the savings being driven through cost of sales opportunities and overheads, will improve group profitability during the coming financial year.

Margins within the mobile business have stabilised despite continuing pressure within the wider mobile industry that have driven a reduction ARPU's as a result of the growth of bundled tariffs and regulatory impacts. In contrast margins within the Cloud Telephony business continue to be solid and the transition to 'as a service' requirements from customers within this space presents future opportunities for margin growth. In addition, given the longer term, more predictable nature of the revenues from the unified communications business represents an improvement in quality of earnings that the company is generating.

The group continues to receive strong support from its shareholders and long-term loan note holders.

No dividends have been declared.

Directors

OLIVE BUSINESS SOLUTIONS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2020**

The directors who served during the year were:

M Geraghty
M Flick
R Flynn

Future developments

Olive will continue to leverage its excellent reputation in unified cloud communications, partner accreditations and customer referencability to expand both its market offerings and resource capability within the unified communications and technology sector. This will see further investment in digital capabilities, new staff to support a growing customer base as well as investment in Olives proprietary cloud managed service platform to facilitate business scaling in line with the growing market opportunity.

The group expects to remain at the forefront of new technology and will continue to maintain strong relations with key established partners including Vodafone and Mitel, as well as developing relationships with others.

Investments in marketing are anticipated to deliver enhanced external visibility across all media including social platforms and development of sector specific propositions.

Engagement with employees

The Company's policy is to consult with employees, staff councils and at meetings, matters likely to affect employees' interests. Information on matters of concern to employees is given through bulletins and report, which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

Disclosure of information to auditors

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

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

OLIVE BUSINESS SOLUTIONS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2020

Post balance sheet events

On January 30, 2020, the World Health Organization declared the outbreak of coronavirus ("COVID-19") to be a public health emergency of international concern. This coronavirus pandemic has severely restricted the level of economic activity around the world. In response to this coronavirus pandemic, the governments of many countries, states, cities and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes. In response to this the ultimate parent has closed its offices and implemented business continuity plans for staff to work from home without noticeable impact on service delivery and operations.

The Company has assessed the coronavirus pandemic as a non-adjusting post balance sheet event.

The Company has demonstrated a resilient business model during the COVID-19 trading period with cloud communications services becoming very topical as a result of work-from-home directives and business continuity planning. For the period from June 2020 onwards the Company entered into contracts with four (4) counterparties for cloud services which will add approximately £2.9m future contracted revenue to the order book of the business.

Whilst the Company is trading positively during the period management has undertaken a detailed review of the potential impacts of COVID-19 and continues to monitor developments closely. As at the date of this report the most likely impact on the Company's existing customer base is be some potential delays in the deployment of certain cloud customer project implementations as well as a reduction in customer mobile spend, particularly on international roaming.

As a result, the impact of this event on the Company is not expected to be material.

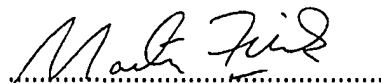
Further consideration in respect of the assessment of COVID-19 impact and how this has been considered in respect of forming a conclusion in respect of the going concern assumption for the Company is set out in note 2.3 on page 16.

With the exception of these events and considerations, no other post balance sheet events affecting the financial statements or related disclosures have occurred to date.

Auditors

The auditors, Hillier Hopkins LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



M Flick
Director

Date: 20th October 2020

OLIVE BUSINESS SOLUTIONS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OLIVE BUSINESS SOLUTIONS LIMITED

Opinion

We have audited the financial statements of Olive Business Solutions Limited (the 'Company') for the year ended 31 January 2020, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

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

OLIVE BUSINESS SOLUTIONS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OLIVE BUSINESS SOLUTIONS LIMITED (CONTINUED)

misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

OLIVE BUSINESS SOLUTIONS LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OLIVE BUSINESS SOLUTIONS LIMITED
(CONTINUED)**

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

This report is made solely to the Company's members in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members for our audit work, for this report, or for the opinions we have formed.



Neil Cundale BSc FCA (Senior Statutory Auditor)
for and on behalf of
Hillier Hopkins LLP
Chartered Accountants
Statutory Auditor
Radius House
51 Clarendon Road
Watford
Hertfordshire
WD17 1HP
Date: 20 October 2020

OLIVE BUSINESS SOLUTIONS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JANUARY 2020**

	Note	2020 £	2019 £
Turnover	4	31,577,196	28,903,295
Cost of sales		(17,266,805)	(16,128,018)
Gross profit		14,310,391	12,775,277
Administrative expenses		(13,291,987)	(13,126,700)
Operating profit/(loss)	5	1,018,404	(351,423)
Interest payable and expenses	9	(38,167)	(88,932)
Profit/(loss) before tax		980,237	(440,355)
Tax on profit/(loss)	10	(34,213)	(55,817)
Profit/(loss) for the financial year		946,024	(496,172)
Other comprehensive income for the year			
Total comprehensive income for the year		946,024	(496,172)

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

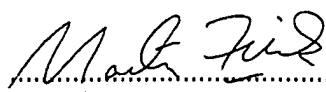
The notes on pages 16 to 32 form part of these financial statements.

OLIVE BUSINESS SOLUTIONS LIMITED
REGISTERED NUMBER: 04648708

BALANCE SHEET
AS AT 31 JANUARY 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	11	587,182	38,124
Tangible assets	12	286,936	511,973
		<u>874,118</u>	<u>550,097</u>
Current assets			
Stocks	13	59,091	208,740
Debtors: amounts falling due within one year	14	20,470,453	17,784,797
Cash at bank and in hand	15	2,492,724	2,236,325
		<u>23,022,268</u>	<u>20,229,862</u>
Creditors: amounts falling due within one year	16	(26,808,919)	(24,370,121)
Net current liabilities		<u>(3,786,651)</u>	<u>(4,140,259)</u>
Total assets less current liabilities		<u>(2,912,533)</u>	<u>(3,590,162)</u>
Creditors: amounts falling due after more than one year	17	(10,457)	(380,565)
Provisions for liabilities			
Deferred tax	21	(151,609)	(49,896)
		<u>(151,609)</u>	<u>(49,896)</u>
Net liabilities		<u><u>(3,074,599)</u></u>	<u><u>(4,020,623)</u></u>
Capital and reserves			
Called up share capital	22	100	100
Profit and loss account	23	(3,074,699)	(4,020,723)
		<u><u>(3,074,599)</u></u>	<u><u>(4,020,623)</u></u>

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



M Flick
 Director

Date: 20th October 2020

The notes on pages 16 to 32 form part of these financial statements.

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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2020**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 February 2018	100	(3,524,551)	(3,524,451)
Comprehensive income for the year			
Loss for the year	-	(496,172)	(496,172)
At 1 February 2019	100	(4,020,723)	(4,020,623)
Comprehensive income for the year			
Profit for the year	-	946,024	946,024
At 31 January 2020	100	(3,074,699)	(3,074,599)

The notes on pages 16 to 32 form part of these financial statements.

OLIVE BUSINESS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2020

1. General information

Olive Business Solutions Limited (the "Company") is a company incorporated and domiciled in England & Wales.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

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

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

This information is included in the consolidated financial statements of Olive Communications Solutions Limited as at 31 January 2020 and these financial statements may be obtained from Companies House.

2.3 Going concern

As at the balance sheet date the company is in a net liabilities position, despite the profit generated this year.

Management have prepared detailed cash flow forecasts, covering a period of not less than 12 months into the future. Based on these and the trading activity and pipeline that exists, they have concluded that the application of the going concern assumption in the preparation of these financial statements is appropriate.

OLIVE BUSINESS SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

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

OLIVE BUSINESS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2020

2. Accounting policies (continued)

2.5 Revenue

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

Sale of goods

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

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

Rendering of services

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

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

2.6 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

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

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 February 2018 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.7 Finance costs

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

OLIVE BUSINESS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2020

2. Accounting policies (continued)

2.8 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.9 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.10 Current and deferred taxation

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

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

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

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

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

OLIVE BUSINESS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2020

2. Accounting policies (continued)

2.11 Intangible assets

Goodwill

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

Other intangible assets

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

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

2.12 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Long-term leasehold property	- 10 years straight line or life of lease if shorter
Improvements	
Motor vehicles	- 3 years straight line
Fixtures and fittings	- 3 years straight line
Office equipment	- 3 years straight line
Computer equipment	- 3 to 5 years straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

OLIVE BUSINESS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2020

2. Accounting policies (continued)

2.13 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.14 Debtors

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

2.15 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.16 Creditors

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

2.17 Provisions for liabilities

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

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

2.18 Financial instruments

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected

OLIVE BUSINESS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2020

2. Accounting policies (continued)

2.18 Financial instruments (continued)

to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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

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

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

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

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effects on the amounts recognised in the financial statements:

- The revenue and costs recognised under long term Converged Solutions contracts, has been individually assessed for each contract as at the period end. Management have recognised revenue and cost based on the expected total profit margin for the contract and the amounts delivered and utilised by the customer as at the period end.
- Deferred cost of goods sold has been recognised based on the age and usage profile of the contacts. The amounts deferred for each contract represent the expected future costs for new and replacement devices.

OLIVE BUSINESS SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

4. Revenue

An analysis of turnover by class of business is as follows:

	2020 £	2019 £
Telecommunication sales	<u>31,577,196</u>	<u>28,903,295</u>

All turnover arose within the United Kingdom.

5. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2020 £	2019 £
Exchange differences	1,029	1,782
Other operating lease rentals	<u>63,873</u>	<u>148,001</u>

6. Auditors' remuneration

	2020 £	2019 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>40,950</u>	<u>39,750</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

OLIVE BUSINESS SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

7. Employees

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

	2020 £	2019 £
Wages and salaries	7,785,041	6,733,980
Social security costs	916,442	741,384
Cost of defined contribution scheme	168,820	114,766
	<u>8,870,303</u>	<u>7,590,130</u>

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

	2020 No.	2019 No.
Administration	83	88
Sales	25	32
Management	11	4
	<u>119</u>	<u>124</u>

8. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	414,543	330,030
Company contributions to defined contribution pension schemes	9,667	737
	<u>424,210</u>	<u>330,767</u>

During the year retirement benefits were accruing to 1 director (2019 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £404,543 (2019 - £312,696).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £9,667 (2019 - £737).

OLIVE BUSINESS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020

9. Interest payable and similar expenses

	2020 £	2019 £
Bank interest payable	38,167	88,932

10. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	(74,893)	-
Adjustments in respect of previous periods	7,393	-
	(67,500)	-
Total current tax	(67,500)	-
Deferred tax		
Origination and reversal of timing differences	101,713	55,817
Total deferred tax	101,713	55,817
Taxation on profit on ordinary activities	34,213	55,817

OLIVE BUSINESS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - *higher than*) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit/(loss) on ordinary activities before tax	980,237	(440,355)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	186,245	(83,667)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	73,190	274,655
Capital allowances for year in excess of depreciation	15,405	(11,584)
Adjustments to tax charge in respect of prior periods	7,393	-
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(248,020)	(123,587)
Total tax charge for the year	34,213	55,817

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

OLIVE BUSINESS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020

11. Intangible assets

	Computer software £	Goodwill £	Total £
Cost			
At 1 February 2019	-	8,604,366	8,604,366
Additions	602,218	-	602,218
At 31 January 2020	602,218	8,604,366	9,206,584
Amortisation			
At 1 February 2019	-	8,566,242	8,566,242
Charge for the year on owned assets	15,036	38,124	53,160
At 31 January 2020	15,036	8,604,366	8,619,402
Net book value			
At 31 January 2020	587,182	-	587,182
At 31 January 2019	-	38,124	38,124

OLIVE BUSINESS SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

12. Tangible fixed assets

	Long-term leasehold property £	Motor vehicles £	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost or valuation						
At 1 February 2019	298,300	6,517	216,187	49,757	895,400	1,466,161
Additions	11,622	-	-	5,000	37,246	53,868
Disposals	(122,527)	-	-	-	-	(122,527)
At 31 January 2020	<u>187,395</u>	<u>6,517</u>	<u>216,187</u>	<u>54,757</u>	<u>932,646</u>	<u>1,397,502</u>
Depreciation						
At 1 February 2019	172,564	6,003	216,187	46,473	512,961	954,188
Charge for the year on owned assets	22,207	514	-	1,369	192,112	216,202
Disposals	(59,824)	-	-	-	-	(59,824)
At 31 January 2020	<u>134,947</u>	<u>6,517</u>	<u>216,187</u>	<u>47,842</u>	<u>705,073</u>	<u>1,110,566</u>
Net book value						
At 31 January 2020	<u>52,448</u>	<u>-</u>	<u>-</u>	<u>6,915</u>	<u>227,573</u>	<u>286,936</u>
At 31 January 2019	<u>125,736</u>	<u>514</u>	<u>-</u>	<u>3,284</u>	<u>382,439</u>	<u>511,973</u>

The net book value of land and buildings may be further analysed as follows:

	2020 £	2019 £
Long leasehold	<u>52,448</u>	<u>125,736</u>

13. Stocks

	2020 £	2019 £
Stocks - finished goods	<u>59,091</u>	<u>208,740</u>

OLIVE BUSINESS SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

14. Debtors

	2020 £	2019 £
Trade debtors	3,802,350	2,685,507
Amounts owed by group undertakings	5,417,148	5,422,594
Other debtors	165,937	51,663
Prepayments and accrued income	11,085,018	9,625,033
	<u>20,470,453</u>	<u>17,784,797</u>

15. Cash and cash equivalents

	2020 £	2019 £
Bank & cash balances	<u>2,492,724</u>	<u>2,236,325</u>

16. Payables: Amounts falling due within one year

	2020 £	2019 £
Bank loans	-	1,312,500
Other loans	1,100,000	72,222
Trade creditors	4,366,055	3,805,440
Amounts owed to group undertakings	11,918,092	11,918,092
Other taxation and social security	1,739,034	1,906,714
Obligations under finance lease and hire purchase contracts	42,460	51,740
Other creditors	3,665,635	3,045,821
Accruals and deferred income	3,977,643	2,257,592
	<u>26,808,919</u>	<u>24,370,121</u>

OLIVE BUSINESS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020

17. Payables: Amounts falling due after more than one year

	2020 £	2019 £
Bank loans	-	328,125
Net obligations under finance leases and hire purchase contracts	10,457	52,440
	<u>10,457</u>	<u>380,565</u>

18. Loans

Analysis of the maturity of loans is given below:

	2020 £	2019 £
Amounts falling due within one year		
Bank loans	-	1,312,500
Other loans	1,100,000	72,222
	<u>1,100,000</u>	<u>1,384,722</u>
Amounts falling due 1-2 years		
Bank loans	-	328,125
	<u>-</u>	<u>328,125</u>
	<u>1,100,000</u>	<u>1,712,847</u>

Other loans included in amounts falling due within one and amounts falling due in one to two years are on a fixed term repayment basis due within 2 years.

OLIVE BUSINESS SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2020 £	2019 £
Within one year	42,460	51,740
Between 1-5 years	10,457	52,440
	<u>52,917</u>	<u>104,180</u>

20. Financial instruments

	2020 £	2019 £
Financial assets		
Financial assets measured at fair value through profit or loss	<u>2,492,724</u>	<u>2,236,325</u>

Financial assets measured at fair value through profit or loss comprise of cash held at bank.

21. Deferred taxation

	2020 £
At beginning of year	(49,896)
Charged to profit or loss	(101,713)
At end of year	<u>(151,609)</u>

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	(151,609)	(65,424)
Tax losses carried forward	-	15,528
	<u>(151,609)</u>	<u>(49,896)</u>

OLIVE BUSINESS SOLUTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

22. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
100 (2019 - 100) Ordinary shares of £1.00 each	<u>100</u>	<u>100</u>

23. Reserves

Profit and loss account

Included in the retained earnings are all current and prior period retained profits and losses.

24. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £168,820 (2019: £114,766).

Contributions totalling £nil (2019: £8,843) were payable to the fund at the balance sheet date and are included in creditors.

25. Related party transactions

During the year, purchases of £nil (2019: £nil) were made from Olive Unified Communications Services Limited, a company in which M Geraghty is a Director. At the year end, £26,290 (2019: £26,290) is included as a debit in Trade payables.

During the year purchases of £306 (2019: £53,147) were made from Springboard Advisory Services Limited, a company where R Flynn is a Director. As at the year end £5,300 (2018: £5,300) is included within Trade payables.

During the year, consultancy charges of £200,000 (2019: £200,000) were paid to Geraghty Bloodstock Pty Ltd a company which is controlled by M Geraghty. As at the year end £33,333 (2019: £nil) is included as a debit in Trade payables.

During the year, stock of £2,081 (2019: £nil) was provided to M Geraghty at nil cost.

As at year end £23,000 (2019: £nil) had been advanced to a Director to cover expenditure that was due to be incurred on behalf of the Company. No interest was charged on this amount and expenses comprising the full balance were claimed against this advance in February 2020.

26. Controlling party

The immediate parent company is Olive Communication Solutions Limited.

The ultimate controlling party is Mark Geraghty.