

Registered no: 04187081

Truphone Limited  
Group and Company Annual Report and Financial  
Statements  
For the year ended 31 December 2018



28

# Truphone Limited

## Contents

	<b>Page(s)</b>
Directors and advisers	1
Strategic report	2-6
Directors' report	7-10
Independent auditors' report	11-12
Consolidated profit and loss account	13
Consolidated statement of comprehensive income	13
Consolidated and company balance sheets	14
Consolidated statement of changes in equity	15
Company statement of changes in equity	16
Consolidated statement of cash flows	17
Notes to the financial statements	18-43

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# **Truphone Limited**

## **Directors and Advisers**

### **Directors**

R Steffens  
A DeCort  
J Fletcher  
M E Holmberg  
G E S Robinson  
Y Valler

### **Company Secretary**

I Jones

### **Registered Office**

25 Canada Square  
Canary Wharf  
London  
E14 5LQ  
United Kingdom

### **Independent Auditors**

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

# Truphone Limited

## Strategic report for the year ended 31 December 2018

The Directors present their strategic report on the Group for the year ended 31 December 2018.

### Business review

#### *Business Description*

Truphone (the "Group") is the world's first truly global mobile network that operates without country borders. Truphone has created a unique global mobile infrastructure, which works with patented technology embedded in its SIM cards (physical and electronic (known as 'eSIM')), which allows mobile phones to operate as local phones in an area of eight countries called the Truphone Zone, and to roam in over 200 other countries globally. The Group provides traditional cellular mobile services to enterprises with local or international travel requirements, to device makers for internet of things ('IoT') applications and more recently to individuals who have adopted eSIM technology via their latest connected device.

#### *Strategic Focus*

The Group is increasingly focussed on eSIM and believes this will quickly become the dominant technology for connecting devices securely to cellular networks. The eSIM is expected to substantially replace the physical plastic SIM card meaning current distribution models for connectivity will become obsolete with the connectivity market shifting to an on-demand service model. The eSIM removes friction in the supply chain as the secure profile can be digitally distributed over the air transforming the speed and scale of connected devices (in combination with technologies such as 5G).

During the year, the Group made substantial progress developing technology and business capabilities supporting IoT products and applications including eSIM. The acquisition of Cellnetrix Group in 2017 included source code which, together with existing platform technologies, enabled Truphone to secure accreditation from the GSM Association ("GSMA") for remote eSIM provisioning ("RSP") for both Consumer and M2M applications as well as Discovery Server. Currently, only one other company has achieved this full set of accreditations.

RSP is the means by which mobile network operators distribute eSIMs to a smartphone or IoT device to provide cellular connectivity. Since launching the RSP product in Q4 of 2018, the Group has been successful in securing contracts with mobile network operators around the world and is actively engaged in discussions to win RSP business with a number of large mobile network operators in Europe, the Middle East, the Americas and Asia. Truphone is winning business from traditional SIM providers due to unmatched speed to market and an attractive PAYG pricing model (which reduces operators' upfront costs), underpinned by our industry certification.

In addition to RSP, Truphone has also invested heavily in its own eSIM based end user products. Truphone was selected as a launch carrier by Apple for eSIM based services on the new iPhone10 (XS, XR). Truphone subsequently launched an Appstore service which allows end users to purchase an international data plan (available now for the iPhone and iPad). Truphone has differentiated itself in this regard by being first to market, avoiding QR codes (to speed up the purchase path) and enabling the service internationally leveraging the existing Truphone cellular footprint.

Truphone is now also a technology provider to some of the world's largest device manufacturers and Chipset IP companies. Our portfolio of enabler technologies includes the SIM operating system and associated IP, bootstrap connectivity (which enables out of the box connections to devices for initial set-up or cellular service acquisition) and software for device management. Truphone's focus on developing or acquiring proprietary cellular technology is paying dividends. We can respond quickly to complex customer requirements, offering highly innovative and transformative solutions at attractive price points unburdened by a complex supply chain.

Truphone is also marketing services to customers requiring basic connectivity and management for IoT devices such as, for example, trackers. As the unit costs for IoT must be substantially lower than standard mobility we have developed a new low-cost platform dedicated to IoT using cloud-based components.

# Truphone Limited

## Strategic report for the year ended 31 December 2018 (continued)

### Business review (continued)

Finally, our traditional enterprise mobility business (MVNO) continues to develop. The Group's customers include FTSE 100 and Fortune 500 companies, including many of the Tier 1 global investment banks. Truphone customers in the UK, USA, Australia, Netherlands, Germany, Hong Kong, Poland and Spain enjoy a globally consistent and seamless experience with superior call quality. The Group's Truphone World plans can be enjoyed in a total of 116 countries or territories (up from 66 in 2016), covering most international travel routes and the vast majority of global GDP. The plans include international data roaming and calls in and between those countries as part of the standard bundle. All our customers can have multiple numbers and additional local numbers in any of our Truphone Zone countries.

### Business Development

**MVNO:** The sales teams continue to expand our (enterprise) customer base with companies who have compliance or complex international travel requirements.

- Truphone Mobile Recording ("TMR"), a proprietary product, benefits from regulatory changes implemented in January 2018. TMR provides seamless recording across substantially all of our geographic footprint, helping enable Truphone clients to comply with the UK Financial Conduct Authority, European MiFiD II and US Dodd-Frank mobile recording regulations without affecting user productivity or call quality. TMR is used by the majority of the world's largest investment banks and in 2018 we signed the company's largest ever (TMR) contract.
- Our standard enterprise mobility service is differentiated by our service proposition which is market leading. The Group has continued to invest in the customer proposition and in 2019 we have launched voice over WIFI services to complement our current product. We have also enabled a number of our enterprise customers with eSIM enabled services which brings significant flexibility benefits to enterprise customers ahead of the market.

**IoT:** During 2018 and early 2019 we have expanded our business development capability in IoT ensuring we are able to meet market demand for our RSP and technology capabilities. We expect this trend to continue as IoT becomes both strategically and financially more important to the Group.

### Employees

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

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

### 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 3rd 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 & 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.

# Truphone Limited

## Strategic report for the year ended 31 December 2018 (continued)

### Results and dividends

The Group reduced its loss for the financial year to £4,146k (2017: loss of £31,391k) through customer and revenue growth and ongoing rationalisation of operating costs. In addition, the Group reached an agreement with a supplier which resulted in the release from a financial obligation related to a 3yr minimum spend agreement that the Group entered into with one of its key suppliers in 2013. An amount of £9,728k was credited during the 2018 financial year in this regard.

In 2018, total turnover increased by 9% to £42,162k. Traditional MVNO revenues were £41,541k, comprised of £40,040k for provision of mobile and recording services to enterprise and TMR customers, and £1,501k for sale of handsets and devices. Sales in respect of IoT in 2018 were £622k but are expected to accelerate across the various product lines including RSP, eSIM and technology enablement.

In terms of the operating result, the Group continues to improve airtime rates from partners which contributes to improving profitability whilst maintaining (end user) price competitiveness. In addition, we have progressively improved our 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.

The Directors do not recommend payment of a dividend (2017: £nil).

### Key performance indicators

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

The Group focuses on the following financial and operational targets:

<i>Key performance indicators</i>	<b>2018</b>	<b>2017</b>
Total Group turnover (£000)	<b>42,162</b>	38,754
Group loss before tax (£000)	<b>4,314</b>	31,717
Capital Investment (£000)	<b>5,015</b>	3,673
Number of operational countries	<b>8</b>	8

# Truphone Limited

## Strategic report for the year ended 31 December 2018 (continued)

### Principal risks and uncertainties

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

The key risks and the mitigation strategies are as follows:

#### Business risks

#### Mitigation strategy

Loss of customers and declining markets

Continued enhancement of the TruSIM proposition to address additional market segments, expansion into new regions and competitive pricing.

Voice recording solutions for the UK, US, Hong Kong, Netherlands & Australia financial services sector, which will provide additional turnover streams and opportunities for the business globally.

RSP and IoT Services do not grow

Truphone has diversified with offerings throughout the 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 is a significant opportunity for Truphone. Proprietary technology & GSMA certification maximises existing product competitiveness. Footprint expansion of RSP nodes planned for 2019 and 2020 mitigates potential regulatory requirements of certain customers and enhances competitiveness.

#### Operational risks

Failure to hire and retain key employees

Location of the business in the proximity of the required talent pool. Regular staff communication and market tested reward and incentive packages.

Loss of intellectual property assets

Physical and logical security to the business systems and contractual protection of intellectual property.

Disaster recovery and business continuity plans

A business continuity plan is in place including physically separated disaster recovery infrastructure.

Cyber threat / data protection

Network monitoring and protective systems including multi-tiered firewalls, intrusion prevention systems and 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

# Truphone Limited

## Strategic report for the year ended 31 December 2018 (continued)

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 9 for further details on going concern.

### *Foreign exchange risk*

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

The Group 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.

**On behalf of the Board**



Ralph Steffens  
Chief Executive Officer

Date: 18/07/2019

# Truphone Limited

## Directors' report for the year ended 31 December 2018

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2018.

### 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 DeCort  
M E Holmberg (appointed 23 March 2018)  
E W Plattfaut (resigned 19 January 2018)  
G E S Robinson  
P Tatyatin (resigned 23 March 2018)  
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 25 September 2018, the Group reached agreement with its principal shareholders, Vollin Holdings Ltd and Minden Worldwide Ltd to underwrite an issue of ordinary shares which is open to all holders of the Group's 'B' shares (0.00001p ordinary). The terms of the underwriting include an irrevocable commitment to purchase a total of 15,286,625 £0.00001 ordinary shares at a price of £1.57 per share, raising total shareholder capital of up to £24,000k.

Of the amount payable in 2019, £9,000k has been received to date (£5,000k was paid in January 2019 and a further £4,000k in 30 April 2019). The remaining £4,000k is payable no later than 31 July 2019.

A further £6,000k is conditional, payable in the event that further funding is required before 31 December 2019 by reference to the Group's liquidity position based on an agreed solvency formula. As at 30 June 2019, this amount became unconditional and is payable during July 2019 on 10 days notice.

### Outlook

#### ***Traditional MVNO Services (covering Enterprises and Truphone Mobile Recording)***

The Group continues to experience strong competition for acquiring traditional enterprise cellular mobile customers in each of its local markets. However, customer churn is currently stable and low reflecting efforts to improve the 4G footprint between 2016 and 2018, the new rate plan introduced in late 2017 and ongoing pricing improvements enabled by lower unit input costs.

We continue to invest in lead generation and have improved our sales pipeline significantly. Outside of financial services, we are focussing on enterprises who are international in focus and therefore require the global features which Truphone can offer but struggle to secure a personalised service from larger operators. Truphone has developed insight driven tools to support better customer targeting and cost-effective customer acquisition within this niche.

# Truphone Limited

## Directors' report for the year ended 31 December 2018 (continued)

The Group has entered into a host operator contract to provide full MVNO services in France for the first time, which we expect to launch in Q4 2019. France is a very large market and we have identified significant opportunities within our existing customer base who have requirements in France, within the financial services sector in France for our TMR service (which may become increasingly important due to the potential effects of Brexit) and locally for the core Truphone service proposition.

Adding France enables us to deliver the Truphone proposition in 9 countries and we believe this will add to the overall competitiveness of the proposition in each of our markets. We also continue to invest in our existing footprint and expect to double 4G access on a country basis during 2019.

We remain confident that our core TMR service benefits from sustainable differentiation and will continue to grow supported by product innovation. We are developing our service and product proposition to meet our customer needs and have upgraded our cloud recording capability in the first half of 2019.

Finally, we will look to migrate our traditional cellular offering to eSIM which we consider will be a competitive differentiator, offering our customers feature functionality of eSIM ahead of our competition.

### *Internet of Things or 'IoT' Services*

We believe Truphone is now well placed in IoT. The company operates under the Truphone lo3 brand name which alludes to our integrated offer of global connectivity (shared with traditional MVNO services), eSIM technology and management platforms (including RSP). Truphone is now regularly recognised by commentators as a leading participant in the rapidly emerging eSIM ecosystem, serving IoT.

These services are targeted at Devices Makers, SIM Vendors, Chipset Makers and Mobile Operators, all of whom highly value our technology. Furthermore, purchasing these three services from a single supplier removes the complexity and inefficiency around IoT that many of our potential partners complain about. Our strategy is to beat the current incumbents by simplifying the way devices get connected and by creating new, efficient and compelling commercial models.

### *Conclusion*

In summary, the external commercial environment in which the Group operates is expected to remain competitive in 2019 and beyond. The Directors are confident that the business is well positioned for the future in both traditional MVNO and IoT markets due to the Group's unique and sustainable differentiation.

We will continue to invest in our 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.

# Truphone Limited

## Directors' report for the year ended 31 December 2018 (continued)

### Going concern

For the year ended 31 December 2018, the Group made a loss for the financial year of £4,146k (2017: £31,391k). The Company made a loss for the financial year of £14,379k (2017: loss of £29,924k).

The shareholders are fully supportive of the Group achieving its future potential through the delivery of its strategy and in particular recognises the opportunity to now invest further in IoT products and services to capitalise on the position the company has created over the last 24 months. The Group strategy comprises;

- establishing financial self-sufficiency for the traditional MVNO business based on continued customer acquisition and growth of Enterprise and TMR revenues. Further supported from Q4 2019 of the launch of our 9<sup>th</sup> MVNO in France;
- continued investment in IoT including eSIM based services such as RSP where Truphone has quickly established a foothold in the global market and is increasingly recognised as a relevant operator in these emergent technologies; and
- cross fertilisation between MVNO and IoT including deployment of eSIM into enterprise and TMR accounts.

The Group and Company will require additional funding in order to do this including amounts not yet approved for 2020 only. This condition indicates the existence of a material uncertainty which may cast significant doubt as to the Group's and Company's ability to continue as a going concern. The financial statements do not include any adjustment to the value of the balance sheet or provision for further liabilities, which could result should the going concern basis of accounting not be valid.

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

- during the year ended 31<sup>st</sup> December 2018 the Group raised up to £24,000k which is irrevocably committed (subject only in respect of £6,000k which is subject to Truphone's liquidity position based on an agreed solvency formula) and of this £5,000k was received in October 2018;
- of the amount payable in 2019, £9,000k has been received to date and the remaining £4,000k is payable no later than 31 July 2019. As at 30 June 2019, the £6,000k tranche became unconditional and is payable during July 2019 on 10 days notice; and
- the existing shareholders have also indicated a willingness to provide further funding, on an uncommitted basis on terms consistent with the existing underwriting, to meet other requirements for example, accelerated expansion or new investment projects.

The Directors believe that the strategy to focus on IoT and the Enterprise market will allow the Group to grow organically and create significant value. The Directors also believe that the strategic position which the Group has established in IoT increases the probability of successfully securing additional funding for the business whether from existing shareholders or other third parties.

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 2018 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.

# Truphone Limited

## Directors' report for the year ended 31 December 2018 (continued)

### 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 and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

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

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

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

### Directors' Confirmations

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

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

On behalf of the Board



Ralph Steffens  
Chief Executive Officer

Date: 18/07/2019

# Truphone Limited

## ***Independent auditors' report to the members of Truphone Limited***

### **Report on the audit of the financial statements**

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#### **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 2018 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Group and Company Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 December 2018; the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity, the company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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#### **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.

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#### **Material uncertainty related to going concern – Group and company**

In forming our opinion on the group and company financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the group's and company's ability to continue as a going concern. The group and company require additional shareholder funding to be raised within the next 12 months in order to continue their operations which has not yet been approved. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and company's ability to continue as a going concern. The group and company financial statements do not include the adjustments that would result if the group and company were unable to continue as a going concern.

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#### **Reporting on other information**

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

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

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

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

# Truphone Limited

## *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 2018 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.

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## **Responsibilities for the financial statements and the audit**

### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 10, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### *Auditors' responsibilities for the audit of the financial statements*

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://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.

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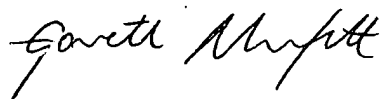
## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



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

18 July 2019

## Truphone Limited

### Consolidated profit and loss account for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	4	42,162	38,754
Cost of sales		(16,547)	(17,780)
Gross profit		25,615	20,974
Administrative expenses		(39,512)	(52,579)
Other operating income		-	675
Restructuring costs		(127)	(720)
Release of onerous supplier provision	17	9,728	-
Operating loss	5	(4,296)	(31,650)
Loss before interest and taxation		(4,296)	(31,650)
Interest receivable and similar income	6	38	1
Interest payable and similar expenses	7	(56)	(68)
Loss before taxation		(4,314)	(31,717)
Tax on loss	10	168	326
<b>Loss for the financial year</b>		<b>(4,146)</b>	<b>(31,391)</b>

All amounts relate to continuing operations.

### Consolidated statement of comprehensive income for the year ended 31 December 2018

	2018 £000	2017 £000
Loss for the financial year	(4,146)	(31,391)
<b>Other comprehensive (expense) / income</b>		
Exchange (losses) / gains on translation of foreign operations	(1,161)	3,011
Total other comprehensive (loss) / gain, net of tax	(1,161)	3,011
<b>Total comprehensive expense for the year</b>	<b>(5,307)</b>	<b>(28,380)</b>

# Truphone Limited

## Consolidated and company balance sheets as at 31 December 2018

	Note	Group		Company	
		2018 £000	2017 £000	2018 £000	2017 £000
<b>Fixed assets</b>					
Intangible assets	11	7,083	6,323	6,156	5,551
Tangible assets	12	2,223	2,035	1,986	1,741
Investments	13	-	-	1,097	747
		<b>9,306</b>	<b>8,358</b>	<b>9,239</b>	<b>8,039</b>
<b>Current assets</b>					
Stocks	14	111	87	94	80
Debtors: amounts falling due within one year	15	22,407	9,769	22,454	8,392
Debtors: amounts falling due after more than one year	16	1,347	1,253	788	725
Cash at bank and in hand		5,756	14,373	2,936	12,116
		<b>29,621</b>	<b>25,482</b>	<b>26,272</b>	<b>21,313</b>
<b>Creditors: amounts falling due within one year</b>	17	<b>(18,279)</b>	<b>(25,364)</b>	<b>(15,905)</b>	<b>(13,360)</b>
<b>Net current assets</b>		<b>11,342</b>	<b>118</b>	<b>10,367</b>	<b>7,953</b>
<b>Total assets less current liabilities</b>		<b>20,648</b>	<b>8,476</b>	<b>19,606</b>	<b>15,992</b>
<b>Provisions for liabilities</b>	19	<b>(1,868)</b>	<b>(2,499)</b>	<b>(497)</b>	<b>(524)</b>
<b>Net assets</b>		<b>18,780</b>	<b>5,977</b>	<b>19,109</b>	<b>15,468</b>
<b>Capital and reserves</b>					
Called up share capital	20	3	2	3	2
Share premium account	20	501,717	483,718	501,717	483,718
Profit and loss account		(482,940)	(477,743)	(482,611)	(468,252)
<b>Total shareholders' funds</b>		<b>18,780</b>	<b>5,977</b>	<b>19,109</b>	<b>15,468</b>

The Company's profit and loss account shows a loss for its financial year of £14,380k (2017: loss of £29,924k).

The financial statements on pages 13 to 43 were approved by the board of Directors on and were signed on its behalf by:



Ralph Steffens  
Chief Executive Officer

Group Registered No: 04187081

## Truphone Limited

### Consolidated statement of changes in equity for the year ended 31 December 2018

Group	Note	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' (deficit) / funds £000
<b>As at 1 January 2017</b>		<b>1</b>	<b>228,907</b>	<b>(449,545)</b>	<b>(220,637)</b>
Loss for the financial year		-	-	(31,391)	(31,391)
Exchange gains on translation of foreign operations		-	-	3,011	3,011
<b>Total comprehensive loss for the year</b>		<b>-</b>	<b>-</b>	<b>(28,380)</b>	<b>(28,380)</b>
Share based payment services provided	22	-	-	182	182
Net Proceeds from share issue	20	1	254,811	-	254,812
<b>As at 31 December 2017</b>		<b>2</b>	<b>483,718</b>	<b>(477,743)</b>	<b>5,977</b>
Loss for the financial year		-	-	(4,146)	(4,146)
Exchange losses on translation of foreign operations		-	-	(1,161)	(1,161)
<b>Total comprehensive loss for the year</b>		<b>-</b>	<b>-</b>	<b>(5,307)</b>	<b>(5,307)</b>
Share based payment services provided	22	-	-	110	110
Net Proceeds from share issue	20	1	17,999	-	18,000
<b>As at 31 December 2018</b>		<b>3</b>	<b>501,717</b>	<b>(482,940)</b>	<b>18,780</b>

## Truphone Limited

### Company statement of changes in equity for the year ended 31 December 2018

Company	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' (deficit) /funds £000
<b>As at 1 January 2017</b>	<b>1</b>	<b>228,907</b>	<b>(438,185)</b>	<b>(209,277)</b>
Loss for the financial year	-	-	(29,924)	(29,924)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(29,924)</b>	<b>(29,924)</b>
Share based payment services provided	-	-	(143)	(143)
Net proceeds from share issue	1	254,811	-	254,812
<b>As at 31 December 2017</b>	<b>2</b>	<b>483,718</b>	<b>(468,252)</b>	<b>15,468</b>
Loss for the financial year	-	-	(14,379)	(14,379)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(14,379)</b>	<b>(14,379)</b>
Share based payment services provided	-	-	20	20
Net proceeds from share issue	1	17,999	-	18,000
<b>As at 31 December 2018</b>	<b>3</b>	<b>501,717</b>	<b>(482,611)</b>	<b>19,109</b>

## Truphone Limited

### Consolidated statement of cash flows for the year ended 31 December 2018

	Note	2018 £000	2017 £000
<b>Net cash outflow from operating activities</b>	25	<b>(8,691)</b>	<b>(24,940)</b>
Net taxation received		156	128
<b>Net cash used in operating activities</b>		<b>(8,535)</b>	<b>(24,812)</b>
<b>Cash flow from investing activities</b>			
Interest received		38	1
Purchase of subsidiary (net of cash acquired)		(310)	(418)
Purchase of intangibles		(3,312)	(2,714)
Purchase of tangible fixed assets		(1,703)	(888)
Proceeds from disposals of intangible assets		261	326
<b>Net cash used in investing activities</b>		<b>(5,026)</b>	<b>(3,693)</b>
<b>Cash flow from financing activities</b>			
Interest paid		(56)	(68)
Proceeds from shareholders' loans		-	24,000
Repayment of shareholders' loans		-	(239,260)
Net proceeds from issue of ordinary share capital		5,000	254,812
<b>Net cash generated from financing activities</b>		<b>4,944</b>	<b>39,484</b>
<b>(Decrease) / increase in cash and cash equivalents</b>		<b>(8,617)</b>	<b>10,979</b>
Cash and cash equivalents at 1 January		14,373	3,414
Effect of foreign exchange rate changes		-	(20)
<b>Cash and cash equivalents at 31 December</b>		<b>5,756</b>	<b>14,373</b>
<b>Cash and cash equivalents consist of:</b>			
Cash at bank and in hand		5,756	14,373
Cash and cash equivalents		5,756	14,373

# Truphone Limited

## Notes to the financial statements for the year ended 31 December 2018

### 1 Statement of compliance

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

### 2 Accounting policies

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

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

#### Basis of preparation and change in accounting policy

The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional and presentation currency of the Group and rounded to the nearest £'000.

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

#### Going concern

For the year ended 31 December 2018, the Group made a loss for the financial year of £4,146k (2017: loss of £31,391k). The Company made a loss for the financial year of £14,380k (2017: loss of £29,924k).

Delivery of the group strategy will require additional funding including amounts not yet approved for 2020 only. This condition indicates the existence of a material uncertainty which may cast significant doubt as to the Group's and Company's ability to continue as a going concern. The financial statements do not include any adjustment to the value of the balance sheet or provision for further liabilities, which could result should the going concern basis of accounting not be valid.

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

- during the year ended 31<sup>st</sup> December 2018 the Group raised up to £24,000k which is irrevocably committed (subject only in respect of £6,000k which is subject to Truphone's liquidity position based on an agreed solvency formula) and of this £5,000k was received in October 2018;
- of the amount payable in 2019, £9,000k has been received to date and the remaining £4,000k is payable no later than 31 July 2019. As at 30 June 2019, the £6,000k tranche became unconditional and is payable during July 2019 on 10 days notice; and
- the existing shareholders have also indicated a willingness to provide further funding, on an uncommitted basis on terms consistent with the existing underwriting, to meet other requirements for example, accelerated expansion or new investment projects.

The Directors believe that the strategy to focus on IoT and the Enterprise market will allow the Group to grow organically and create significant value. The Directors also believe that the strategic position which the Group has established in IoT increases the probability of successfully securing additional funding for the business whether from existing shareholders or other third parties.

# Truphone Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 2 Accounting policies (continued)

The Directors will continue to closely monitor and plan business priorities to optimise cash utilisation and to sustain operational continuity and therefore believe it appropriate to prepare the financial statements for the year ended 31 December 2018 on a going concern basis.

#### Consolidation

The Group financial statements consolidate the financial statements of the Group and its subsidiary undertakings made up to 31 December 2018. Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct ownership of voting rights. Intra-Group sales and profits are eliminated fully on consolidation.

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

#### Company profit and loss account

As permitted by section 408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements. The Company's profit and loss account shows a loss for its financial year of £14,380k (2017: loss of £29,924k).

#### Exemption for qualifying entities under FRS 102

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

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

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

#### Subsidiary Audit Exemption

Under Section 479A of the Companies Act 2006, exemptions from an audit of the financial statements for the financial year ending 31 December 2018 have been taken by Software Cellular Network Limited, registered number 05736968 and TruRecord Limited, registered number 08063060. As required by Section 479C of the Companies Act 2006, Truphone Limited guarantees all outstanding liabilities to which the subsidiary companies listed above are subject at the end of the financial year, until they are satisfied in full and the guarantee is enforceable against the parent undertaking by any person to whom the subsidiary companies listed above is liable in respect of those liabilities.

# Truphone Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 2 Accounting policies (continued)

#### Foreign currency

##### *Functional and presentation currency*

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

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

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

##### *Transactions and balances*

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

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

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

#### Turnover

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

#### Share-based payment

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

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

# Truphone Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 2 Accounting policies (continued)

#### Employer's National Insurance on share options

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

#### Research and development

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

#### Leases

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

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

# Truphone Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 2 Accounting policies (continued)

#### Intangible fixed assets

##### *Goodwill*

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

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

##### *Development costs*

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

##### *Telecoms licences*

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

#### Tangible fixed assets

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

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

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

# Truphone Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 2 Accounting policies (continued)

#### Impairment on non-financial assets

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

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

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

#### Fixed asset investments

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

#### Stocks

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

#### Deferred tax

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

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

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

#### Provisions for liabilities

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

# Truphone Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 2 Accounting policies (continued)

#### Pension costs

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

#### Financial instruments

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

##### (i) Financial assets and liabilities

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

#### Cash and cash equivalents

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

#### Employee benefits

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

##### (i) Short term benefits

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

##### (ii) Defined contribution pension plans

The Group operates a number of country-specific defined contribution plans for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

#### Related party transactions

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

# Truphone Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 2 Accounting policies (continued)

#### Loans and borrowing

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

### 3 Critical accounting judgements and estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### Judgements

##### *Capitalised development costs*

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

#### Estimates

##### *Goodwill and intangible assets*

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

##### *Impairment of non-financial assets*

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

# Truphone Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 4 Turnover

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

#### Geographical analysis by destination

	2018	2017
	£000	£000
Europe	29,339	28,837
North America	9,613	6,588
Asia Pacific	3,210	3,329
Total	42,162	38,754

#### Area of activity

	2018	2017
	£000	£000
Sales of goods	1,501	346
Rendering of services	40,661	38,408
Total	42,162	38,754

### 5 Operating loss

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

	2018	2017
	£000	£000
Amortisation – owned assets (note 11)	2,995	4,088
Depreciation – owned assets (note 12)	1,535	5,563
Profit on disposal of fixed assets	261	297
Operating lease charges – land and buildings	3,638	4,636
Research and development expenditure	228	333
Onerous supplier contract provision released	(9,728)	-
Fees payable to the auditors for the audit of the consolidated Group entities' annual financial statements	106	89
Fees payable to the Company's auditors and their associates for other services:		
Audit of the Company's subsidiaries	6	6
Tax compliance	18	26
(Gain) / Loss on translation of foreign currency	(890)	2,087

# Truphone Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 6 Interest receivable and similar income

	2018	2017
	£000	£000
Interest receivable on bank account	38	1

### 7 Interest payable and similar expenses

	2018	2017
	£000	£000
Interest payable on overdrafts and bank charges	56	68

### 8 Employees

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

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Wages and salaries	19,581	20,657	7,152	9,954
Social security costs	2,998	2,987	806	1,188
Other pension costs (see note 21)	512	758	416	628
Charge / (credit) associated with share - based payments (see note 22)	110	182	20	(143)
	23,201	24,584	8,394	11,627

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

	Group		Company	
	2018	2017	2018	2017
	Number	Number	Number	Number
Sales	33	33	8	6
Operations	286	292	35	78
Administration	76	72	30	34
	395	397	73	118

# Truphone Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 9 Directors' emoluments

	2018	2017
	£000	£000
Aggregate emoluments	798	717
Company contributions to defined contribution pension schemes	43	43
	<b>841</b>	<b>760</b>

At 31 December 2018 there was one Director to whom retirement benefits under a defined contribution scheme were accruing (2017: one). During the year, there were nil (2017: nil) Directors who purchased Ordinary shares of the Group.

#### Highest paid director:

	2018	2017
	£000	£000
Aggregate emoluments	798	717
Company contributions to defined contribution pension schemes	43	43
	<b>841</b>	<b>760</b>

The highest paid director did not exercise share options in 2018 (2017: no shares exercised).

### 10 Tax on loss

	2018	2017
	£000	£000
<b>Current tax</b>		
Adjustments in respect of prior periods	(156)	(151)
	<b>(156)</b>	<b>(151)</b>
<b>Foreign tax</b>		
Corporation taxes	(12)	(175)
Total tax credit	<b>(168)</b>	<b>(326)</b>

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2018 (2017: £nil).

# Truphone Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 10 Tax on loss (continued)

The income tax credit for the year differs (2017: differs) from the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are reconciled below.

	2018 £000	2017 £000
<b>Loss before taxation</b>	<b>(4,314)</b>	<b>(31,717)</b>
Loss before taxation multiplied by the average rate of tax in the UK of 19.00% (2017: 19.25%)	(820)	(6,106)
Effects of:		
Expenses not deductible for tax purposes	2	3
Income not taxable	(1,848)	-
Accelerated capital allowances and other timing differences	(117)	1,419
Current tax losses for which no deferred tax asset was recognised	2,783	4,684
Adjustments in respect of prior periods	(156)	(151)
Adjustment in respect of foreign taxes	(12)	(175)
<b>Total tax credit for year</b>	<b>(168)</b>	<b>(326)</b>

#### Deferred taxation

The Group has an unrecognised deferred tax asset of £70,909k (2017: £68,066k) and includes additional deductions associated with research and development tax credits.

The Directors consider that it is unlikely there will be sufficient taxable profits in the immediate future such as to realise the deferred tax asset, and therefore the asset has not been recognised in these financial statements (2017: £nil).

#### Factors that may affect future tax charges

The Budget 2016 announced that the UK tax rate will reduce to 19% with effect from 1 April 2017 and 17% with effect from 1 April 2020. The rate reduction to 17% was substantively enacted on 6 September 2016. The deferred tax assets and liabilities of UK companies within the Group have therefore been calculated at 17%.

# Truphone Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 11 Intangible assets

#### Group

	Telecom licences	Goodwill	Development costs	Total
	£000	£000	£000	£000
<b>Cost</b>				
At 1 January 2018	292	6,941	42,913	50,146
Additions	-	-	3,312	3,312
Acquisitions	-	310	-	310
Foreign exchange adjustment	(51)	27	114	90
<b>At 31 December 2018</b>	<b>241</b>	<b>7,278</b>	<b>46,339</b>	<b>53,858</b>
<b>Accumulated amortisation</b>				
At 1 January 2018	251	6,284	37,288	43,823
Amortisation for the year	25	331	2,639	2,995
Foreign exchange adjustment	(45)	-	2	(43)
<b>At 31 December 2018</b>	<b>231</b>	<b>6,615</b>	<b>39,929</b>	<b>46,775</b>
<b>Net book amount</b>				
<b>At 31 December 2018</b>	<b>10</b>	<b>663</b>	<b>6,410</b>	<b>7,083</b>
At 31 December 2017	41	657	5,625	6,323

In 2018 further consideration £310k was paid to the former shareholders of the Cellnetrix group of Companies due to an earn out and other acquisition criteria being achieved.

#### Company

	Goodwill	Development costs	Total
	£000	£000	£000
<b>Cost</b>			
At 1 January 2018	3,710	42,621	46,331
Additions	-	3,233	3,233
<b>At 31 December 2018</b>	<b>3,710</b>	<b>45,854</b>	<b>49,564</b>
<b>Accumulated amortisation</b>			
At 1 January 2018	3,710	37,070	40,780
Amortisation for the year	-	2,628	2,628
<b>At 31 December 2018</b>	<b>3,710</b>	<b>39,698</b>	<b>43,408</b>
<b>Net book amount</b>			
<b>At 31 December 2018</b>	<b>-</b>	<b>6,156</b>	<b>6,156</b>
At 31 December 2017	-	5,551	5,551

# Truphone Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 12 Tangible assets

Group	Computer equipment and fixtures and fittings	Leasehold improvements	Total
	£000	£000	£000
<b>Cost</b>			
At 1 January 2018	24,229	1,599	25,828
Additions	1,696	7	1,703
Disposals	(6)	-	(6)
Foreign exchange adjustment	78	6	84
<b>At 31 December 2018</b>	<b>25,997</b>	<b>1,612</b>	<b>27,609</b>
<b>Accumulated depreciation</b>			
At 1 January 2018	22,400	1,393	23,793
Charge for the year	1,409	126	1,535
Disposals	(6)	-	(6)
Foreign exchange adjustment	60	4	64
<b>At 31 December 2018</b>	<b>23,863</b>	<b>1,523</b>	<b>25,386</b>
<b>Net book amount</b>			
<b>At 31 December 2018</b>	<b>2,134</b>	<b>89</b>	<b>2,223</b>
At 31 December 2017	1,829	206	2,035

# Truphone Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 12 Tangible assets (continued)

<b>Company</b>	<b>Computer equipment and fixtures and fittings</b>	<b>Leasehold improvements</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost</b>			
At 1 January 2018	21,261	1,105	22,366
Additions	1,568	-	1,568
Disposals	(6)	(1)	(7)
<b>At 31 December 2018</b>	<b>22,823</b>	<b>1,104</b>	<b>23,927</b>
<b>Accumulated depreciation</b>			
At 1 January 2018	19,588	1,037	20,625
Charge for the year	1,308	15	1,323
Disposals	(7)	-	(7)
<b>At 31 December 2018</b>	<b>20,889</b>	<b>1,052</b>	<b>21,941</b>
<b>Net book amount</b>			
<b>At 31 December 2018</b>	<b>1,934</b>	<b>52</b>	<b>1,986</b>
At 31 December 2017	1,673	68	1,741

# Truphone Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 13 Investments

Company	£000
Shares in subsidiary undertakings	
<b>Cost</b>	
At 1 January 2018	4,640
Additions	350
<b>At 31 December 2018</b>	<b>4,990</b>
<b>Provision</b>	
At 1 January 2018	3,893
<b>At 31 December 2018</b>	<b>3,893</b>
<b>Net book amount</b>	
At 31 December 2018	1,097
At 31 December 2017	747

The £350k of additions is from further investment in the Cellnetrix group of companies.

In 2018, the Group has incorporated the following entities:

Company Name	Country of Incorporation	Incorporation Date	Percentage Interest
Truphone (Ireland) Limited	Ireland	31.01.2018	100%
Truphone France S.A.R.L	France	19.02.2018	100%
Truphone S.r.l.	Italy	08.03.2018	100%
Truphone, Mobilne Tekelomunikacije d.o.o.	Slovenia	08.08.2018	100%

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

#### Subsidiary undertakings:

Company Name	Registered Address	Principal Activity	Percentage Interest
Software Cellular Network Ltd	London <sup>1</sup>	Provision of services	100%
SIM4TRAVEL LIMITED	London <sup>1</sup>	Dormant	100%
Truphone, Inc.	The Corporation Trust Company Corporation Trust Center 1209 Orange Street, Wilmington Delaware, DE 19801, US	Provision of services	100%
Truphone Poland Sp Z.o.o	Ul. Emilii Plater 53, 00-113 Warsaw, Poland	Provision of services	100%
SCNL Truphone S.A	Taguspark, Avenida Professor Doutor Cavaco Silva Edif.2740 120 Qualidade B-B2-3a, Oeiras Portugal	Provision of services	100%
Truphone GmbH	Lenz and Staehlin Brandschenkestrasse 24 8027, Zurich, Switzerland	Provision of services	100%
Smart Call LLC*	6801 Engle Road, Suite L&M, Middleburg Heights, Ohio OH 44130, US	Provision of services	100%

## Truphone Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 13 Investments (continued)

Startel Communications Co Pty Ltd	Melbourne <sup>2</sup>	Provision of services	100%
Brizpark Pty Ltd	Melbourne <sup>2</sup>	Dormant	100%
Truphone Pty Ltd	Melbourne <sup>2</sup>	Provision of services	100%
Startel Communications Asia Corp**	Level 22, Orient Square Building Ortigas Jr Drive, Ortigas, Pasig City Philippines	Provision of services	40%
Truphone (Hong Kong) Ltd*	20th Floor, Alexandra House 16-20 Chater Road Central Hong Kong, Hong Kong	Provision of services	100%
Truphone Pte Ltd	Singapore <sup>3</sup>	Dormant	100%
SCN Truphone S.L.	Avenida de Europa 24 Edificio Torona B, Planta baja D Alcobendas, 28108, Madrid, Spain	Provision of services	100%
Tru Pte Ltd*	Singapore <sup>3</sup>	Dormant	100%
iSmart Mobile LLC*	6801 Engle Road, Suite L&M Middleburg Heights, Ohio OH 44130, US	Provision of services	100%
Truworld Pte Ltd*	Singapore <sup>3</sup>	Dormant	100%
Truphone B.V.	Rembrandtlaan 1A, Bilthoven 3723BG, Netherlands	Provision of services	100%
Truphone GmbH	An der Herrenmuhle 7-9, 61440 Oberursel, Germany	Provision of services	100%
TruRecord Ltd	London <sup>1</sup>	Provision of services	100%
Truphone Solutions Private Limited	1203 One Indiabulls Centre, Tower 2, Floor 12B, 841 Senapati Bapat Marg, Elphinstone Road, Mumbai, 400013, India	Dormant	49%
Cellnetrix GmbH***	Holstenkamp 54, 22525 Hamburg, Germany	Provision of services	60%
Cellnetrix Technology LLC	313A Yablonevaya Lane, City of Zelenograd, 124482 Moscow, Russia	Provision of services	100%
Truphone (Ireland) Ltd	24-26 City Quay, Dublin 2 DO2 NY19, Ireland	Dormant	100%
Truphone France S.A.R.L.	29 Rue du Pont, 92200 Neuilly-Sur-Seine, France	Dormant	100%
Truphone S.r.l.	Via Melchoirre Gioia 8 20124, Milano, Italy	Dormant	100%
Truphone, Mobilne Tekelomunikacije d.o.o.	Linhartova Cesta 11A 1000 Ljubljana, Slovenia	Dormant	100%

\* Not a direct holding of the Company.

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

\*\*\* The Company has 100% control.

<sup>1</sup> 25 Canada Square, Canary Wharf, London, E14 5LQ, UK

<sup>2</sup> Mertons Corporate Services Pty Ltd, Level 7, 330 Collins Street, Melbourne, Victoria, VIC 3000, Australia

<sup>3</sup> Tricor Evatthouse Corporate Services, 80 Robinson Road #02-00, 068898, Singapore

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

# Truphone Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 14 Stocks

	Group 2018 £000	2017 £000	Company 2018 £000	2017 £000
Cellular stock	111	87	94	80

The stocks expensed during the year were £1,705k (2017: 810k).

### 15 Debtors: amounts falling due within one year

	Group 2018 £000	2017 £000	Company 2018 £000	2017 £000
Trade debtors	4,800	4,979	1,379	1,770
Amounts owed by Group undertakings	-	-	6,138	4,863
Other debtors	13,284	368	13,015	42
Other taxation and social security	1,126	613	-	-
Prepayments and accrued income	3,197	3,809	1,922	1,717
	<b>22,407</b>	<b>9,769</b>	<b>22,454</b>	<b>8,392</b>

Trade debtors are stated after provisions for impairment of £1,722k (2017: £2,229k).

Amounts owed by the Group undertakings are unsecured and have no fixed date of repayment, as at 31 December 2018 £373k (2017: £1,075k) was interest free, the remainder attracts interest at a rate between 2% and 6%.

Other debtors include £12,986k (2017: £nil) of deferred consideration relating to the share issue in October 2018.

### 16 Debtors: amounts falling due after more than one year

	Group 2018 £000	2017 £000	Company 2018 £000	2017 £000
Other debtors	1,347	1,253	788	725

This relates to supplier Deposits and Letters of Credit.

# Truphone Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 17 Creditors: amounts falling due within one year

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Trade creditors	1,979	1,820	1,122	1,070
Amounts owed to Group undertakings	-	-	6,920	5,402
Taxation and social security	2,049	1,815	637	490
Other creditors	250	322	257	212
Accruals and deferred income	14,001	21,407	6,969	6,186
	18,279	25,364	15,905	13,360

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

Included within accruals in 2017 was an amount of £9,728k, which relates to a 3 year minimum spend agreement that the Group entered into with one of its key suppliers in 2013. In August 2018, the Group reached an agreement with this supplier which results in the associated obligation being removed in its entirety together with the release of any claims that may have arisen to that point.

### 18 Financial instruments by category

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

# Truphone Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 19 Provisions for liabilities

#### Group

	Onerous suppliers	Onerous leases	Other	Total
	£000	£000	£000	£000
At 1 January 2018	2,157	237	105	2,499
Utilised in the year	-	-	7105)	(105)
Unused amounts reversed to the profit and loss account	(530)	(38)	-	(568)
Charged to the profit and loss account	42	-	-	42
<b>At 31 December 2018</b>	<b>1,669</b>	<b>199</b>	<b>-</b>	<b>1,868</b>

#### Company

	Onerous suppliers	Onerous leases	Other	Total
	£000	£000	£000	£000
At 1 January 2018	403	121	-	524
Utilised in the year	-	-	-	-
Unused amounts reversed to the profit and loss account	(31)	-	-	(31)
Charged to the profit and loss account	-	4	-	4
<b>At 31 December 2018</b>	<b>372</b>	<b>125</b>	<b>-</b>	<b>497</b>

#### Other

##### *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.

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

# Truphone Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 20 Called up share capital

Group and Company	2018 £000	2017 £000
<b>Allotted, called up and fully paid</b>		
257,506,778 Ordinary shares of £0.00001 each (2017: 246,041,809 Ordinary shares of £0.00001 each)	3	2
760 B Ordinary shares of £0.00001 each (2017: 760 B Ordinary shares of £0.00001 each)	-	-
14,397 D Ordinary shares of £0.00001 each (2017: 14,397 D Ordinary shares of £0.00001 each)	-	-
	<b>3</b>	<b>2</b>

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

The B shares are discussed in Note 22.

#### Share premium account

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

At 31 December 2018 Share premium account stood at £501,717k (2017: £483,718k)

### 21 Pension commitments

The Group operates a defined contribution pension scheme. The charge for the year represents contributions payable by the Group to the fund and amounted to £512k (2017: £758k) paid into defined contribution pension schemes. There is an accrual at the year-end of £33k (2017: £6k).

# Truphone Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 22 Share-based payments

#### Share options – Scheme 1 Approved

At 31 December 2018 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:

	2018		2017	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at start of year	43,400	£8.64	48,600	£8.67
Granted	-	-	-	-
Forfeited	-	-	(4,900)	£8.97
Exercised	-	-	-	-
Expired	-	-	(300)	£8.69
Outstanding at end of year	43,400	£8.64	43,400	£8.64
Exercisable at end of year	43,400	£8.64	43,400	£8.64

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

Actual exercise price	2018		2017	
	Number of shares	Weighted average remaining contractual life	Number of shares	Weighted average remaining contractual life
£8.64	43,400	1.4	43,400	2.2

The total charge for the year relating to employee share based payment plans was £nil (2017: £nil).

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

# Truphone Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 22 Share-based payments (continued)

#### Share options – Scheme 2 Unapproved

At 31 December 2018, 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 2018 is shown below:

	2018		2017	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at start of year	1,676,667	£2.00	3,126,666	£2.00
Granted	-	-	-	-
Forfeited	(181,667)	£2.00	(1,449,999)	£2.00
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at end of year	1,495,000	£2.00	1,676,667	£2.00
Exercisable at end of year	1,495,000	£2.00	671,667	£2.00

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

Actual exercise price	2018		2017	
	Number of shares	Weighted average remaining contractual life	Number of shares	Weighted average remaining contractual life
£2.00	1,495,000	5.7	1,676,667	6.6

The total charge for the year relating to employee share based payment plans was £110k (2017: £182k), all of which related to equity-settled share-based payment transactions. After deferred tax, the total charge was £110k (2017: £182k).

# Truphone Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 22 Share-based payments (continued)

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

#### Employee Benefit Trust

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

A reconciliation of option movements over the year ended 31 December 2017 is shown below:

	2018		2017	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at start of year	1,500,000	£2.00	1,500,000	£2.00
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at end of year	1,500,000	£2.00	1,500,000	£2.00
Exercisable at end of year	-	-	-	-

The total charge for the year relating to the Employee Benefit Trust was £nil (2017: £nil). The Group has provided for social security contributions at a rate of 13.8%. After social security contributions, the total charge was £nil (2017: £nil).

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

#### B Shares

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

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

The shares were valued using the Black-Scholes option pricing model. Dividends were not incorporated into the model as none are expected to be paid over the vesting period. The fair value per B share at the date of granting was £20,235. The total charge for the year relating to the B Ordinary shares was £nil (2017: £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.

# Truphone Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 23 Commitments

The Group has entered into a number of 'take-or-pay' agreements with key suppliers. The remaining commitment under these agreements as at 31 December 2018 amounted to £21,783k (2017: 29,031k).

### 24 Financial commitments

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

	2018	2017
	Land and buildings £000	Land and buildings £000
Within one year	3,488	3,410
Within two to five years	2,412	4,458
In more than five years	-	-
	<b>5,900</b>	<b>7,868</b>

### 25 Notes to the consolidated statement of cash flows

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

	2018	2017
	£000	£000
<b>Loss for the financial year:</b>	<b>(4,146)</b>	<b>(31,391)</b>
Adjustments for:		
Tax on loss	(168)	(326)
Net interest expense	19	67
Depreciation charges	1,535	5,563
Amortisation charges	2,995	4,088
Profit on disposal of intangible assets	(291)	(297)
Share based payment expense	110	182
Unrealised currency translation (gains) / losses	(1,190)	3,049
Increase in debtors	(2,035)	(589)
Release of Supplier Contract Provision	(9,728)	-
Increase in stocks	(23)	(19)
Increase (decrease) in creditors	4,232	(5,267)
<b>Net cash outflow from operating activities</b>	<b>(8,691)</b>	<b>(24,940)</b>

#### Major non-cash transactions

During the year the share-based payment charge accrual was £110k (2017: £182k).

# Truphone Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 26 Related party transactions

Under an agreement dated 27<sup>th</sup> September 2018 the group reached agreement with its principal shareholders, Vollin Holdings Ltd 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 15,286,625 £0.00001 Ordinary shares at a price of £1.57 per share raising total shareholder capital of up to £24,000k. The share will be fully paid up on issue of the following basis:

- £5,000k was received in October 2018, £5,000k was received in January 2019 and a further £4,000 in April 2019.
- £4,000k is payable no later than 31st July 2019
- £6,000k is conditional payable in the event that either cash or net current assets fall below a specified level before 31 December 2019. The threshold are net current assets (<£2,000k) or cash balance (<£3,000k) which are assessed at each month end between 31 October 2018 and 31 December 2019.

The Group had no loan amounts at the balance sheet date owing to Directors (2017: £nil).

#### *Key management personnel*

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. See note 9 for disclosure of the directors' remuneration and key management compensation.

#### *Parent company*

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

### 27 Post balance sheet events

Under an agreement dated 25 September 2018, the Group reached agreement with its principal shareholders, Vollin Holdings Ltd and Minden Worldwide Ltd to underwrite an issue of ordinary shares which is open to all holders of the Group's 'B' shares (0.001p ordinary). The terms of the underwriting include an irrevocable commitment to purchase a total of 15,286,625 £0.00001 ordinary shares at a price of £1.57 per share, raising total shareholder capital of up to £24,000k.

Of the amount payable in 2019, £9,000k has been received to date (£5,000k was paid in January 2019 and a further £4,000k in 30 April 2019). The remaining £4,000k is payable no later than 31 July 2019.

A further £6,000k is conditional, payable in the event that further funding is required before 31 December 2019 by reference to the Group's liquidity position based on an agreed solvency formula. As at 30 June 2019, this amount became unconditional and is payable during July 2019 on 10 days notice.

### 28 Ultimate controlling party

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

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