Commercial in confidence

Registered number:
07277719

Callsign Ltd

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Callsign Ltd

COMPANY INFORMATION

Directors	Corinne Thompson Garth William Ritchie
Registered number	07277719
Registered office	1 Bartholomew Close London, England EC1A 7BL United Kingdom
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 30 Finsbury Square London EC2A 1AG

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CALLSIGN LTD

STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2022

The directors of Callsign Ltd. ("Callsign" or "the Company") present their strategic report and the financial statements for the year ended 30 June 2022.

Principal activities and business review

The principal activities of Callsign during the year were, and will continue to be, the provision of software in relation to digital trust, identity proving and authentication solutions.

Callsign solves challenges that organisations face in getting their users on to and interacting with their digital platforms easily and securely. We provide solutions to some of the world's largest banks and offer "bank grade" identification to public and private sector clients of all sizes.

The digital world is based on a simple premise – trust. When we're interacting with a person or entity – whether it's a business or some other transactional interface – we need to know with no uncertainty they are who they say they are, doing what they say they are, where they say they are doing it.

When we moved online, authentication processes from the physical world were digitized rather than re-designed for the digital world. Digitized processes lack security, aren't privacy preserving and are usually cumbersome. Users forget passwords, fraudsters can steal them. Fraud, scams, bots, social engineering and malware are symptoms of the bigger problem - digital identity is broken, verifying genuine users online currently isn't working. Callsign solutions use Machine Learning and Artificial Intelligence techniques to solve this challenge globally.

By removing friction without impacting security or the user experience, Callsign has revolutionised digital identity in three specific ways:

Building complete and accurate digital identity
We positively identify users by gathering broad categories of contextual data that our Machine Learning models can learn as "normal" behaviour for an individual. Any behaviour that doesn't match the recognized "normal" can be identified as higher risk and treated in an appropriate manner, for example asking for further credentials.

Privacy by design
We hire the smartest minds to design intelligent access and authentication technology that identifies users in unobtrusive ways. Our data collection points are events based because we believe in security and not surveillance. We know who you are without knowing who you are.

Developed with implementation in mind
We've developed practical low or no-code solutions that are quick to implement, simple to integrate and easy to create seamless customer journeys. Protecting consumers, managing organizational risk and preventing fraud should be accessible for every organization.

Callsign has a long-term growth strategy to expand its presence in markets and countries where it can attain the necessary presence to allow for a successful customer relationship, summarised as follows:

- Increase the penetration within its current core sectors by selling to new banking clients
- Expand into new sectors through offering "bank grade" digital trust, identity proving and authentication solutions, and
- Investing in the development team to create, integrate and deliver these market-leading products

CALLSIGN LTD

STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2022

Trading results

The table below presents the factors representing key financial performance indicators for Callsign:

KPIs	**2022**	**2021**	**Change**	**% change**
Revenue	£14.3m	£5.2m	£9.1m	175%
Operating Loss	(£43.2m)	(£33.0m)	(£10.2m)	(31%)
Average employees headcount	175	157	18	11%

Callsign continued to achieve significant revenue growth in 2022 adding multiple customers, which along with expansion of existing customer activity, saw revenue grow by £9.1m to £14.3m (2021: £5.2m).

In 2022, Callsign continued to focus on technological improvements to its platform and continued to invest heavily in R&D expenditure. This is reflected in headcount growth and investment in the engineering team and our suite of software solutions. This resulted in an increase in our operating loss to £43.2m (2021: £33.0m).

Principal risks and uncertainties
The principal risks and uncertainties associated with Callsign's activities are set out below.

Strategic Risks - the main strategic risks to Callsign's business arise from deterioration in general economic and market conditions, increased competition and increased legal or regularly burdens affecting the industry, as well as rapid technological change.

Worsening economic conditions or a shift in Callsign's competitive landscape could cause demand for its' software and services to fall, impacting revenue growth potential and financial results. More stringent regulatory requirements could add additional costs and regulatory burdens for the Company. If Callsign fails to adapt to rapid technological change in the industry, our ability to remain competitive could be impaired.

To mitigate the impact of reduced demand for Callsign's products and services and to remain ahead of the industry, the Company continues to heavily invest in the development of new technologies to maintain its competitive advantage while increasing investment in understanding the regulatory environment from industry experts and advisors.

Operational Risks – to maintain the development and successful operation of Callsign's products, the Company relies heavily on highly skilled employees with data science and software engineering backgrounds. There is a risk that these skill sets will become hard to obtain due to high demand within the technology industry. In addition to that, there is a risk that our customers could experience service outages if there are interruptions or performance problems associated with our technology or infrastructure.

In order to mitigate these risk Callsign will continue to invest in internal and external recruitment and maintain competitive packages for staff with the required knowledge. In terms of risks related to our technology, Callsign is operating a 24/7 Customer Service Centre, alongside state-of-the-art Network Operations and Security Operations Centres.

The Company has carried out a review of its exposure to Ukraine and Russia (including looking at customers, shareholders, suppliers and other stakeholders) and the risk of high inflation and rising interest rates, which concluded that our exposure is low in those areas.

The board closely monitor risks faced by Callsign through the year to ensure necessary changes to internal controls or procedures are implemented.

CALLSIGN LTD

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2022

The director of Callsign Ltd presents their annual report and the financial statements for the year ended 30 June 2022.

Principal activity

The principal activity of the Company continued to be that of monetary intermediation.

Results and dividends

The loss for the year, after taxation, amounted to £42.1m (2021: £29.7m)

No dividends were paid or proposed during the year (2021: £Nil).

Directors

The directors who served during the year and subsequently were:

Ian Welch (resigned on 31st March 2022)
Corinne Thompson (appointed on 31st March 2022)
Garth William Ritchie (appointed on 31st March 2022)

Future developments

The director foresees no material change in the Company's activities. Callsign will continue to invest in its suite of products through increased research and development activities and drive growth across its target markets.

We expect that the growth phase of the organisation will continue by delivering an increasingly broaden range of products and services to an expanding customer base within our primary markets and new markets. We anticipate the building market share will result in annual losses for the Company over the coming years before reach a point of sustainable profitability.

Engagement with employees

It is Callsign's policy that the selection of employees for recruitment, training, development and promotion should be determined solely on the skills, abilities and other requirements that are relevant to the job, regardless of their sex, race, religion or disability.

Callsign recognises the value of its employees and places importance on communication with employees which takes place at many levels throughout the organisation on both a formal and informal basis. The personal development of employees is closely monitored so that appropriate training programmes can be designed with a view to assisting employees in achieving both their own and callsigns objectives.

Subsequent Events

There are no important events since 30 June 2022 affecting the Company.

Directors' responsibilities statement

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

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

At 30 June 2022, the Company had net liabilities of £56,122,907, primarily due to a loan from its parent company, Callsign Inc. The parent company has made a commitment not to seek repayment of the loan until the Company is in a position to commence repayments .

Management have prepared mid-term financial projections, which show that the Company has resources available to continue in business for the foreseeable future. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of signing of these financial statements. Accordingly, these financial statements have been prepared on a going concern basis.

Going Concern

At 30 June 2022, the Company had net liabilities of £56.1m, primarily due to long term funding from its parent company Callsign Inc. The parent company has made a commitment not to seek repayment of the outstanding amounts until the Company is in a position to commence repayments.

Management have prepared mid-term financial projections, which show that the Company has financial resources available to continue in business for the foreseeable future. At 30 June 2022, Callsign had an available cash balance of £27.8m and the Group has additional funds available under a loan agreement that it entered into during the financial year. The Company continues to grow through new customer acquisition and growth of existing customers, and management anticipates this will continue in the future.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and to meet their liabilities as they fall due for at least 12 months from the date of signing of these financial statements. Accordingly, these financial statements have been prepared on a going concern basis.

Disclosure of information to auditor

The directors confirm that:

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

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

The report was approved and authorised for issue by the board on 7 November 2022 and were signed on its behalf by

C Thompson
Director

CALLSIGN LTD

Independent auditor's report to the members of Callsign Limited

Opinion

We have audited the financial statements of Callsign Ltd (the 'company') for the year ended 30 June 2022, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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

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

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

CALLSIGN LTD

Independent auditor's report to the members of Callsign Limited

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

CALLSIGN LTD

Independent auditor's report to the members of Callsign Limited

Responsibilities of directors for the financial statements

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

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

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company and sector in which they operate. We determined that the following laws and regulations were most significant: International accounting standards, Companies Act 2006 and taxation laws.
- We understood how the Company is complying with those legal and regulatory frameworks by making inquiries to the management and those responsible for legal and compliance procedures. We corroborated our inquiries through our review of board minutes.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included;
  - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
  - understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
  - challenging assumptions and judgements made by management in its significant accounting estimates;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item; and
  - held discussions with those outside the finance team including, human resources and key management

  - personnel.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner assessed that the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations through the following:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation; and
  - knowledge of the industry in which the client operates

Use of our report

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

Nicholas Page
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
Date: 7 November 2022

CALLSIGN LTD

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 £	*2021* *£*
Turnover	4	**14,328,067**	*5,222,873*
Cost of sales		**(8,182,124)**	*(3,057,504)*
Gross profit		**6,145,943**	*2,165,369*
Administrative expenses		**(49,349,707)**	*(35,167,307)*
Operating loss	5	**(43,203,764)**	*(33,001,938)*
Finance Costs		**139,078**	*2,351,160*
Loss before tax		**(43,064,686)**	*(30,650,778)*
Tax credit on loss	7	**1,006,572**	*934,778*
Loss for the financial year		**(42,058,114)**	*(29,716,000)*
Other comprehensive income		-	-
Loss for the financial year		**(42,058,114)**	*(29,716,000)*

All results of the current year and prior year are from continuing operations.

Notes 1 to 22 form part of the financial statements.

CALLSIGN LTD

BALANCE SHEET
AS AT 30 JUNE 2022

	Note		2022		2021
			£		£
Fixed assets					
Tangible assets	8		**391,649**		*463,484*
Investments in subsidiaries	20		**1,443**		*1,443*
Intercompany receivable	10		**406,092**		*3,897,482*
			799,184		*4,362,409*
Current assets					
Debtors: amounts falling due within one year	11	**5,573,402**		*11,909,276*	
Cash and cash equivalents	12	**27,750,883**		*1,211,243*	
		33,324,285		*13,120,519*	
Creditors: amounts falling due within one year	13	**(11,724,178)**		*(32,341,912)*	
Net current asset/(liabilities)			**21,600,107**		*(19,221,393)*
Total assets less current liabilities			**22,399,291**		*(14,858,984)*
Creditors: amounts falling due after more than one year	14		**(78,511,108)**		-
Net liabilities			**(56,111,817)**		*(14,858,984)*
Capital and reserves					
Called up share capital	16		**1,000**		*1,000*
Share capital reserve			**65,243,804**		*65,243,804*
Other reserves	15		**2,699,149**		*1,893,868*
Profit and loss account	17		**(124,055,770)**		*(81,997,656)*
			(56,111,817)		*(14,858,984)*

The financial statements were approved and authorised for issue by the board on 7 November 2022 and were signed on its behalf by

C Thompson
Director

Notes 1 to 22 form part of the financial statements.

CALLSIGN LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Called up share capital	Share capital reserve	Share based payment reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 July 2021	**1,000**	**65,243,804**	**1,893,868**	**(81,997,656)**	**(14,858,984)**
Loss for the year	-	-	-	**(42,058,114)**	**(42,058,114)**
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	**(42,058,114)**	**(42,058,114)**
Equity settled share based payment	-	-	**805,281**	-	**805,281**
At 30 June 2022	**1,000**	**65,243,804**	**2,699,149**	**(124,055,770)**	**(56,111,817)**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Called up share capital	Share capital reserve	Share based payment reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 July 2020 (unaudited)	1,000	-	992,880	(52,281,656)	(51,287,776)
Loss for the year				(29,716,000)	(29,716,000)
Other comprehensive income				-	-
Total comprehensive income for the year	-	-	-	(29,716,000)	(29,716,000)
Capital contribution		65,243,804		-	65,243,804
Equity settled share based payment	-	-	900,988	-	900,988
At 30 June 2021	1,000	65,243,804	1,893,868	(81,997,656)	(14,858,984)

Notes 1 to 22 form part of the financial statements.

1. General information

Callsign Ltd. is a private company, limited by shares, incorporated and registered in England and Wales, registration number 07277719. The registered office is 1 Bartholomew Close, London, England, EC1A 7BL, United Kingdom.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £.

This Company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The Company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of financial Position' - Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows'
- Section 11 'Basic Financial Instruments' - Carrying amounts;
- Section 33 'Related Party Disclosures' - Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Callsign Inc. These consolidated financial statements are available from its registered office at 4 Palo Alto Square 3000 El Camino Real, Building 4, Suite 200, Palo Alto 94306, California, United States of America

The following principal accounting policies have been applied:

2.2 Going concern

At 30 June 2022, the Company had net liabilities of £56.1m, primarily due to long term funding from its parent company Callsign Inc. The parent company has made a commitment not to seek repayment of the outstanding amounts until the Company is in a position to commence repayments.

Management have prepared mid-term financial projections, which show that the Company has financial resources available to continue in business for the foreseeable future. At 30 June 2022, Callsign had an available cash balance of £27.8m and the Group has additional funds available under a loan agreement that it entered into during the financial year. The Company continues to grow through new customer acquisition and growth of existing customers, and management anticipates this will continue in the future.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and to meet their liabilities as they fall due for at least 12 months from the date of signing of these financial statements. Accordingly, these financial statements have been prepared on a going concern basis.

2.3 Revenue

Revenue is generated through software license fees (which include support fees), professional service fees and the sale of hardware authentication tokens. Revenue is recognized provided that there is persuasive evidence of an arrangement, the amount of fees to be paid by the customer is fixed or determinable, and collection of the fees is reasonably assured.

Revenue is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Callsign determines revenue recognition through the following steps:
- Identification of the customer contract;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- *Allocation of the transaction price to the performance obligations in the contract*; and
- Recognition of revenue when, or as, Callsign satisfies a performance obligation.

Software licenses are sold through arrangements that are generally one to five years in length. License revenue is mostly based on volume of contracted utilization or number of users. Revenue recognition starts when access to Callsign's software has been granted to the client. Revenue from utilization above the contracted level is recognized in the period in which the utilization occurs.

Professional services revenue consists primarily of fees associated with customer-specific requests for training, implementation, and integration. Revenue from professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

Other income relates to the R&D tax credit which is recognized when the credit is receivable.

2.4 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.7 Share based payments

Equity settled share based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

2.8 Current and deferred taxation

The tax expense represents the sum of the tax currently payable.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax
Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

2.9 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

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

Depreciation is provided on the following basis:

Land & buildings - 5 year straight line
Fixtures & fittings - 20% reducing balance
Computer equipment - 3 year straight line

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

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

2.10 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the Company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

2.11 Impairment of fixed assets

At each reporting period end date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

2.12 Debtors

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

2.13 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

Funds held in the Company's client account are recognised on the Company's statement of financial position as the risks and rewards are considered to be with the Company.

2.14 Creditors

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

2.15 Provisions for liabilities

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

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

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

2.16 Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets
Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities
Basic financial liabilities, including creditors and loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

2.17 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

2.18 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease s asset are consumed.

2.19 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

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

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Revenue recognition
We recognise revenue which requires estimates and judgements regarding their timing, the completion of performance obligations and when we have reasonable assurance all contractual conditions are met.

Share based payment transactions
The group uses the Black Scholes model to determine the fair value of options granted to employees. Information on such assumptions are set out on note 15. The calculations require the use of estimates and assumptions. A change in these estimates or assumptions may affect charges to the profit and loss account over the vesting period of the award.

Going concern assessment
We recognise that assessing the going concern position of a company involves judgements in terms of future events. Details of our assessment can be found in note 2.2.

4. Turnover and other revenue

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

	2022	*2021*
	£	£
Turnover analysed by class of business		
Professional Services	**2,163,753**	2,359,333
License fees	**12,164,314**	2,863,540

We have not disclosed the analysis of turnover by geographical market.

5. Operating Loss

Audit remuneration
Fees payable of £93k to the Company's auditors for the audit of the Company and Group's annual financial statements (2021: £81.5k).

Operating Loss	**2022**	2021
	£	£
Software and hosting costs	**8,484,631**	7,279,588
Contractor costs	**9,217,425**	9,131,928
Rent	**1,889,755**	1,971,981
Share based payment charge	**805,281**	900,988
Transfer pricing charge	**6,033,792**	-

6. Employees

The average monthly number of employees, including directors, during the year were 175 (R&D: 60, G&A: 65, Sales & Marketing 50). 2021: 157 (R&D: 54, G&A: 58, Sales & Marketing: 45)

Total employee costs in 2022 were £17.9m (2021: £15.8m).

	2022	2021
	£	£
Wages and Salaries	**15,406,680**	13,754,198
Social Security costs	**2,058,416**	1,739,500
Other pension costs	**400,635**	342,565

Directors' Remuneration

Total directors' remuneration during the year amounted to £262k (2021: £368k) of this the highest paid director's remuneration totalled £225k (2021: £217k).

7. Taxation

	2022	*2021*
	£	£
Corporation tax		
Current tax in the UK	-	-
R&D Tax Credit	(1,006,572)	*(934,778)*
Taxation on profit on ordinary activities	(1,006,572)	*(934,778)*

	2022	2021
	£	£
Loss before tax	**(43,064,685)**	(30,650,778)
Expenses not deductible for tax purposes	**1,140,176**	1,304,493
Fixed asset differences	**(284,314)**	(436,902)
Adjusted tax loss	**(42,208,823)**	(29,783,187)
Corporation tax at 19%	**8,019,676**	5,658,806
R&D tax credit	**1,006,572**	934,778
Deferred tax not recognised	**(8,019,676)**	(5,658,806)
Total tax credit	**1,006,572**	934,778

There were no factors that may affect future tax charges.

The Company has carried forward losses of approximately £102m (2021: £58m) at the year end for which the company has not recognised a deferred tax asset due to the uncertainty around taxable future profits.

8. Tangible fixed assets

	Land & buildings	Fixtures & fittings	Computer equipment	Total
	£	£	£	£
Cost or valuation				
At 1 July 2021	103,704	2,670	873,055	979,429
Additions	83,922	-	173,522	257,444
Disposals	(103,704)	-	-	(103,704)
At 30 June 2022	83,922	2,670	1,046,577	1,133,169
Depreciation				
At 1 July 2021	30,634	850	484,460	515,944
Charge for the year on owned assets	10,277	327	245,606	256,210
Disposals	(30,634)	-	-	(30,634)-
At 30 June 2022	10,277	1,177	730,066	741,520
Net book value				
At 30 June 2022	73,645	1,493	316,511	391,649
At 30 June 2021	*73,070*	*1,819*	*388,595*	*463,484*

As of June 22, the Company had no assets on lease.

10. Intercompany loans

The following intercompany balances were due to Callsign Ltd as at June end and are non-interest bearing. Callsign will not seek repayment for the foreseeable future and has therefore classed this debt as a long term asset:

	2022	2021
Subsidiary	£	£
Callsign Singapore Pte Ltd	-	135,817
Callsign Technologies Ltd	406,092	3,761,655
	406,092	3,897,482

11. Debtors

	2022	*2021*
	£	£
Trade debtors	142,116	*5,472,874*
R&D tax credit	1,006,572	*934,779*
Other debtors	1,031,329	*2,102,948*
Prepayments	3,393,385	*3,398,675*
	5,573,402	*11,909,276*

12. Cash and cash equivalents

	2022	*2021*
	£	£
Cash at bank	**27,595,630**	*1,055,991*
Cash deposits	**155,253**	*155,252*
Cash and cash equivalents	**27,750,883**	*1,211,243*

All cash equivalents are readily convertible to cash and have a maturity of three month or less.

13. Creditors: Amounts falling due within one year

	2022	*2021*
	£	£
Trade creditors	**3,867,278**	*5,616,880*
Other taxation and social security	**714,404**	*555,392*
Deferred revenue	**5,058,353**	*24,985,205*
Other creditors	**2,084,143**	*1,184,435*
	11,724,178	*32,341,912*

14. Creditors: Amounts falling due after more than one year

	2022	*2021*
	£	£
Amount owed to group undertaking	**56,471,254**	-
Deferred revenue	**22,039,854**	-
	78,511,108	-

Amount owed to group undertaking is a long term funding balance due to Callsign Inc. It is non-interest bearing and it is planned to be converted into equity in the financial year ending 30 June 2023. Callsign Inc will not seek repayment for the foreseeable future and the intercompany creditor is therefore classified as due after more than one year.

The non-current deferred revenue relates services that are not going to be consumed within the next 12 months.

15. Share based payment transaction

During the prior year, the Company recognised total share-based payment expenses of £901k for its employees which related to equity settled share based payment transactions by the ultimate parent company.

Further expenses of £805k have been incurred in the current year, this has been included in administrative expenses on the profit and loss account.

These payment expenses are measured at their estimated fair value at the date of the grant, calculated using a Black Scholes model that takes into account the following variables and assumptions:

- The exercise price - as per option contract;
- The share price at grant date - the value of shares based on an independent valuation;
- Expected life of option - the exercise period of the share options;
- Risk-free interest rate – 4 years yield UK treasury bonds;
- Expected price volatility of the underlying share - variance between returns was measured from the publicly available competitor data.

16. Share capital

	2022	*2021*
	£	*£*
Allotted, called up and fully paid		
Called up share capital	**1,000**	*1,000*

Made up of 100 ordinary shares at a par value of £10 a share.

17. Reserves

Share premium account

The Share premium account includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit and loss account

Profit and loss account includes all current & prior periods retained profits & losses.

18. Pension commitments

	2022	*2021*
	£	*£*
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	**400,635**	*342,565*

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. Contributions totalling £79,700 *(2021: £67,698)* were payable to the fund at the balance sheet date and are included in creditors.

19. Commitments under operating leases

At 30 June 2022, the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022	*2021*
	£	*£*
Within 1 year	**2,808,570**	*686,966*
Within 2 to 5 years	**702,142**	*-*
	3,510,712	*686,966*

20. Investment in subsidiary companies

The following companies are subsidiary of Callsign Ltd at June 2022 set up in the year.

Name	Registered Address	Class of share	Holding	Principal activity
Callsign Technologies Limited	14th Floor, Cloud Spaces, Al Sarab Tower ADGM Square, Al Maryah Island Abu Dhabi	Ordinary	100%	Trading Company
Callsign Singapore Pte. Ltd	9 Raffkes Place 26-01, Republic plaza Singapore	Ordinary	100%	Trading Company

21. Controlling party

The immediate parent company is Callsign Inc, a company incorporated in Delaware, USA. The registered office of this company is 4 Palo Alto Square, 3000 El Camino Real, Building 4, Suite 200, Palo Alto 94306, California, United States of America.

22. Subsequent Events

There are no important events since 30 June 2022 affecting the Company.