

Babble Cloud Limited

Annual Report and Financial Statements

Year Ended

30 November 2021

Company Number 04213760

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Babble Cloud Limited

Company Information

Directors	M Parker J Cawood A Lindsell
Registered number	04213760
Registered office	5th Floor Bury House 31 Bury Street London EC3A 5AR
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

Babble Cloud Limited

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Babble Cloud Limited

Strategic Report For the Year Ended 30 November 2021

The directors present their Strategic Report together with the audited financial statements for the year ended 30 November 2021.

Principal activity

The company is a main trading member of the Babble Cloud group of companies ('the group'). The principal activity of the company in the year under review was that of provision of telecommunication services and related technical services.

Business review

During the year ended 30 November 2021 the company has increased turnover and won new customers.

The focus of the company remains cloud-based communications services, especially unified communications, and contact centre as a service, as well as related services and products. The directors believe that this sector of telecommunications will continue to grow strongly and that the company is well placed to exploit this growth through a clearly differentiated offer and excellent customer account management.

In order to continuously extend the trade of the group, the group made a series of acquisitions during the years to 30 November 2021 and 30 November 2020. The trade and assets of the following acquired companies were transferred to the company in the year to 30 November 2021:

- On 1 December 2020, the assets and liabilities of fellow group company Babble Cloud (LT) Limited were transferred to the company via the intercompany accounts.
- On 1 December 2020, the assets and liabilities of fellow group company Babble Cloud (CMT) Limited were transferred to the company via the intercompany accounts.
- On 1 May 2021, the assets and liabilities of fellow group company Babble Cloud (SN) Limited were transferred to the company via the intercompany accounts.
- On 1 November 2021, the assets and liabilities of fellow group company Babble Cloud (81G) Limited were transferred to the company via the intercompany accounts.
- On 1 November 2021, the assets and liabilities of fellow group company Babble Cloud (ACT) Limited were transferred to the company via the intercompany accounts.
- On 1 November 2021, the assets and liabilities of fellow group company Babble Cloud (UC) Limited were transferred to the company via the intercompany accounts.
- On 1 November 2021, the assets and liabilities of fellow group company Babble Cloud (UCH) Limited were transferred to the company via the intercompany accounts.

The shares in all these companies were held by (CMTH) Limited and Babble Cloud (UCH) Limited which are both owned by common immediate parent company Babble Cloud Holdings Limited. No other consideration was paid by the company. See note 25 for more information.

Going concern

The financial statements have been prepared using the going concern basis of accounting. The directors have reviewed the company's going concern position taking into account its current business activities, budgeted performance and factors likely to affect its future performance. Based on the information contained within the accounts and including consideration of the risks associated with the current macro-economic climate, the directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

As at 30 November 2021, the company had cash resources of £2,001,533 (2020 - £2,201,718), current assets of £23,248,212 (2020 - £9,816,761), net current assets of £5,914,453 (2020 - £4,361,463) and net assets of £6,394,207 (2020 - £4,686,639). In the year to 30 November 2021 the company made a profit before tax of £1,688,126 (2020 - £2,574,851).

Babble Cloud Limited

Strategic Report (continued) For the Year Ended 30 November 2021

Going concern (continued)

The directors consider that the company has access to sufficient funding to meet its financial obligations as they fall due. In forming this decision the directors have taken into account the fact that the parent undertaking has provided a letter confirming it will provide the necessary financial assistance as required for a period of at least 15 months from the signing of the 2021 financial statements (with the amounts due to group undertakings balance also not to be re-called within one year). In addition the company is expected to continue to generate positive cash flows on its own account for the foreseeable future. As a result the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

These financial statements do not include any adjustments that would be required if this basis was not appropriate.

Financial key performance indicators

The group uses a range of performance measures to monitor and manage its business and that of its subsidiaries, effectively. These are both financial and non-financial, and the most significant of these are the key performance indicators (KPIs).

The company's key financial performance indicators are turnover, gross profit, gross profit margin and cash. These KPIs indicate the volume of business the company has undertaken as well as the efficiency and profitability of this business. The key non-financial performance indicator is the number of employees.

KPIs for the year ended 30 November 2021 are set out below:

	2021	2020
Turnover (£'s)	24,676,861	18,530,606
Gross profit (£'s)	11,904,859	9,430,340
Gross profit margin (%)	48	51
Cash (£'s)	2,001,533	2,201,718
Number of employees	100	84

Principal risks and uncertainties

The company offers a range of different products from different telecoms software vendors and thus mitigates the risk of the failure, or change of strategic direction, in one of its key suppliers.

The directors do not believe that the company will be directly impacted by Brexit or by the Russian invasion of Ukraine. Therefore, the principal risk for the company is the general economic climate, particularly for UK based SME's who are the company's customer base. However, in most cases the company's customers achieve significant savings by moving to cloud based technologies and the directors believe that growth can be achieved even with an uncertain economic background.

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



.....
J Cawood
Director

Date: 19 September 2022

Babble Cloud Limited

Directors' Report For the Year Ended 30 November 2021

The directors present their report together with the audited financial statements for the year ended 30 November 2021.

Results and dividends

The profit for the year, after taxation, amounted to £1,707,568 (2020 - £2,569,585).

The directors do not recommend payment of a dividend in the current or prior year.

Going concern

For further information on going concern see note 2.3.

Directors

The directors who served during the year were:

M Parker
J Cawood
A Lindsell (reappointed 17 March 2021)

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 company and of the profit or loss of the company for that period.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

Babble Cloud Limited

Directors' Report (continued) For the Year Ended 30 November 2021

Post statement of financial position events

On 1 March 2022, the assets and liabilities of fellow group company Babble Cloud (CRT) Limited were transferred to the company via the intercompany accounts. On 1 April 2022, the assets and liabilities of fellow group companies Babble Cloud (DCS) Limited and Babble Cloud (HAL) Limited were transferred to the company via the intercompany accounts. The shares in all these companies were owned by common immediate parent company Babble Cloud Holdings Limited. No other consideration was paid by the company. See note 25 for more information.

On 29 March 2022, the company acquired the telecoms services business of Tetcom Network Services Limited for a consideration of £2,100,000.

Disclosure of information to auditor

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

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

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



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J Cawood
Director

Date: 19 September 2022

Babble Cloud Limited

Independent Auditor's Report to the Members of Babble Cloud Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Babble Cloud Limited ("the Company") for the year ended 30 November 2021 which comprise statement of comprehensive income, statement of financial position, 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Conclusions relating to going concern

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.

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.

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

Babble Cloud Limited

Independent Auditor's Report to the Members of Babble Cloud Limited (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the strategic 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

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.

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

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

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

Responsibilities of directors

As explained more fully in the directors' report, 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.

Babble Cloud Limited

Independent Auditor's Report to the Members of Babble Cloud Limited (continued)

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.

Extent to which the audit was 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. 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 that are applicable to the Company and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those relating to the reporting framework, Companies Act 2006, data privacy and the relevant tax regulations including but not limited to, Corporate and VAT legislation, and Employment Taxes.
- We assessed how the Company is complying with legal and regulatory frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes. We also reviewed the Company's tax computation and return and financial statements disclosures against the requirements of the relevant tax legislation and applicable accounting frameworks respectively.
- We communicated relevant legal and regulatory frameworks and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where they considered there was a susceptibility to fraud.
- Our audit planning identified fraud risks in relation to management override of controls and risk of fraud in revenue recognition. We considered the processes that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud, and how management monitors such processes.
- In response to the risk of management override of control, our procedures included journal entry testing, with a focus on unusual transactions based on our knowledge of the business which were agreed to supporting documentation where applicable; and enquiries with Management and those charged with governance regarding any instances of known or suspected fraud during the year. We challenged management's assessments, assumptions and evaluated data used as the basis for making estimates to assess whether judgements made in making accounting estimates are indicative of potential bias by management.
- With regards to the risk of fraud in revenue recognition, our procedures included assessing whether the revenue recognition policies adopted by the Company comply with accounting standards. We sample tested sales transactions in year to supporting evidence such as contracts, evidence of delivery of the performance obligation and cash receipt from the customer. We checked a sample of revenue transaction amounts recognised around year end against the date the performance obligation was satisfied to check that revenue was recorded in the correct period and deferred revenue was appropriately calculated.

Babble Cloud Limited

Independent Auditor's Report to the Members of Babble Cloud Limited (continued)

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.

DocuSigned by:

BDO LLP

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Leighton Thomas (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date: 19 September 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Babble Cloud Limited

Statement of Comprehensive Income For the Year Ended 30 November 2021

	Note	2021 £	2020 £
Turnover	4	24,676,861	18,530,606
Cost of sales		(12,827,180)	(9,100,266)
Gross profit		11,849,681	9,430,340
Administrative expenses		(7,077,090)	(5,712,954)
Exceptional administrative expenses	5	(3,081,633)	(1,285,808)
Total administrative expenses	6	(10,158,723)	(6,998,762)
Operating profit	6	1,690,958	2,431,578
Income from fixed assets investments	9	-	139,259
Interest receivable and similar income	10	168	4,014
Interest payable and similar expenses	11	(3,000)	-
Profit before tax		1,688,126	2,574,851
Taxation	12	19,442	(5,266)
Profit and total comprehensive income for the financial year		1,707,568	2,569,585

All amounts relate to continuing activities.

There was no other comprehensive income for 2021 (2020 - £Nil).

The notes on pages 12 to 32 form part of these financial statements.

Babble Cloud Limited

Registered number: 04213760

Statement of Financial Position As at 30 November 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	13	12,675	42,670
Tangible assets	14	511,811	338,733
		<u>524,486</u>	<u>381,403</u>
Current assets			
Debtors	15	21,246,679	7,615,043
Cash at bank and in hand		2,001,533	2,201,718
		<u>23,248,212</u>	<u>9,816,761</u>
Current liabilities			
Creditors: amounts falling due within one year	16	(17,333,759)	(5,455,298)
Net current assets		<u>5,914,453</u>	<u>4,361,463</u>
Total assets less current liabilities		<u>6,438,939</u>	<u>4,742,866</u>
Creditors: amounts falling due after more than one year	17	(44,732)	(56,227)
Net assets		<u>6,394,207</u>	<u>4,686,639</u>
Capital and reserves			
Share capital	19	199	199
Share premium account	20	70,297	70,297
Capital redemption reserve	20	30	30
Capital contribution reserve	20	9,541,179	9,541,179
Merger reserve	20	(9,653,505)	(9,653,505)
Profit and loss account	20	6,436,007	4,728,439
Total equity		<u>6,394,207</u>	<u>4,686,639</u>

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



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J Cawood
Director

Date: 19 September 2022

The notes on pages 12 to 32 form part of these financial statements.

Babble Cloud Limited

Statement of Changes in Equity For the Year Ended 30 November 2021

	Share capital £	Share premium account £	Capital redemption reserve £	Capital contribution reserve £	Merger reserve £	Profit and loss account £	Total equity £
At 1 December 2019	199	70,297	30	-	(9,653,505)	1,778,560	(7,804,419)
Comprehensive income for the year							
Profit and total comprehensive income for the year	-	-	-	-	-	2,569,585	2,569,585
Capital contributions (see below)	-	-	-	9,541,179	-	-	9,541,179
Share based payment	-	-	-	-	-	380,294	380,294
At 1 December 2020	199	70,297	30	9,541,179	(9,653,505)	4,728,439	4,686,639
Comprehensive income for the year							
Profit and total comprehensive income for the year	-	-	-	-	-	1,707,568	1,707,568
At 30 November 2021	199	70,297	30	9,541,179	(9,653,505)	6,436,007	6,394,207

The notes on pages 12 to 32 form part of these financial statements.

The trade and assets of Direct Response Plus Limited and Babble Cloud (ACG) Limited were hived across to Babble Cloud Limited on 1 July 2019. The resulting intercompany receivables in Direct Response Plus Limited and Babble Cloud (ACG) Limited were waived by instruction of the parent entity, Babble Cloud Holdings Limited. This resulted in Babble Cloud Limited recording capital contributions on 27 February 2020 and 26 February 2020, respectively. Capital contributions are amounts formally waived by the parent and fellow group companies relating to intercompany balances.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2021

1. General information

Babble Cloud Limited (the "company") is a private company, limited by shares and incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is stated on the company information page and the nature of the company's operations and their principal activity are set out in the strategic report.

The functional currency of Babble Cloud Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

Babble Cloud (LT) Limited, Babble Cloud (CMT) Limited, Babble Cloud (SN) Limited, Babble (81G) Limited, Babble Cloud (ACT) Limited, Babble Cloud (UC) Limited and Babble Cloud (UCH) Limited hived their trade and assets in to the company on the following dates:

Babble Cloud (LT) Limited	1st Dec 2020
Babble Cloud (CMT) Limited	1st Dec 2020
Babble Cloud (SN) Limited	1st May 2021
Babble Cloud (ACT) Limited	1st Nov 2021
Babble (81G) Limited	1st Nov 2021
Babble Cloud (UCH) Limited	1st Nov 2021
Babble Cloud (UC) Limited	1st Nov 2021

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

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

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Babble Cloud Holdings Limited as at 30 November 2021 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2021

2. Accounting policies (continued)

2.3 Going concern

The financial statements have been prepared using the going concern basis of accounting. The directors have reviewed the company's going concern position taking into account its current business activities, budgeted performance and factors likely to affect its future performance. Based on the information contained within the accounts and including consideration of the risks associated with the current macro-economic climate, the directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

As at 30 November 2021, the company had cash resources of £2,001,533 (2020 - £2,201,718), current assets of £23,248,212 (2020 - £9,816,761), net current assets of £5,914,453 (2020 - £4,361,463) and net assets of £6,394,207 (2020 - £4,686,639). In the year to 30 November 2021 the company made a profit before tax of £1,688,126 (2020 - £2,574,851).

The directors consider that the company has access to sufficient funding to meet its financial obligations as they fall due. In forming this decision the directors have taken into account the fact that the parent undertaking has provided a letter confirming it will provide the necessary financial assistance as required for a period of at least 15 months from the signing of the 2021 financial statements (with the amounts due to group undertakings balance also not to be re-called within one year). In addition the company is expected to continue to generate positive cash flows on its own account for the foreseeable future. As a result the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

These financial statements do not include any adjustments that would be required if this basis was not appropriate.

2.4 Turnover

Turnover comprises revenues from third parties in respect of charges for the provision of telecommunication, contact centre, connectivity and related services, exclusive of sales taxes.

Revenue from third parties is generated from the provision of services, including line rentals, call charges, installation and partner commissions and is recognised for each revenue stream as follows:

- Fixed recurring revenue - revenue is generated from line rentals, service charges, license fees and fixed rate call bundles. Revenue is deferred and recognised on a straight line basis over the contract.
- Variable recurring revenue - revenue is generated from additional call and other usage charges. Revenue is recognised in the period in which the additional charges are incurred.
- Other revenue - revenue is generated from hardware and installation fees and is recognised in the period in which the goods or services are provided.
- Partner commissions - revenue is deferred and recognised on a straight line basis over the contract period.

Each sales contract is designed to meet the specific requirements of each customer. Where agreements involve multiple elements, the entire fee from such arrangements is allocated to each of the individual elements based on each element's fair value. The revenue in respect of each element is recognised in accordance with the above policies.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2021

2. Accounting policies (continued)

2.5 Intangible assets

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

Amortisation is provided on the following bases:

Software development	-	33 % straight line
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2.6 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Motor vehicles	-	25% per annum
Fixtures, fittings and computer equipment	-	33% per annum

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 the statement of comprehensive income.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.9 Cash at bank and in hand

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.10 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.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2021

2. Accounting policies (continued)

2.11 Hire purchase and leasing commitments

Rentals payable under operating leases are charged in the statement of comprehensive income on a straight line basis over the lease term.

Assets held under finance leases, which are leases where substantially all the risk and rewards of ownership of the asset have passed to the company, are capitalised in the statement of financial position as tangible assets and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future obligations under the leases are included as liabilities in the statement of financial position. The interest element of the rental obligation is charged to the statement of comprehensive income over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Assets held under hire purchase agreements are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital element of future finance payment is included within creditors. Finance charges are allocated to accounting period over the length of the contract and represent a constant proportion of the balance of capital repayments outstanding.

2.12 Foreign currency translation

Transactions and balances

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

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

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'interest receivable' or 'interest payable'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'administrative expenses'.

2.13 Finance costs

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

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2021

2. Accounting policies (continued)

2.14 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

2.15 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

2.16 Exceptional items

Exceptional items are transactions that fall within the activities of the company but the Directors have chosen to disclose separately due to their size or incidence.

2.17 Taxation

Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

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

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

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2021

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

The preparation of the financial statements requires management to exercise judgement in applying the company's accounting policies. Estimates and assumptions used in the preparation of the financial statements are continually reviewed and revised as necessary.

In preparing these financial statements, the directors have made the following judgements:

- **Hive across of trade and assets of fellow group companies**

Determining whether the hive across of trade and assets from fellow group companies should have been accounted for as a group reconstruction rather than under the acquisition accounting requirements. In forming their decision the directors considered the expanded definition under FRED 67, which includes the transfer of one group entity to another, and also the fact that the transfer of trade and assets was entirely contained within the group headed by Babble Cloud Holdings Limited.

- **Intercompany balances**

Judgements are required setting the level of provisions recognised against the carrying value of amounts due from group undertakings on the company balance sheet, after taking into account ageing of balances, historic payment profile and other relevant information in relation to expected future cash flows from group undertakings.

- **Impairment of tangible fixed assets**

Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

4. Turnover

All turnover relates to the principal activity of the company.

Analysis of turnover by country of destination:

	2021	2020
	£	£
United Kingdom	23,359,684	17,459,302
Europe	392,812	499,105
Rest of the world	924,365	572,199
	<u>24,676,861</u>	<u>18,530,606</u>

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2021

5. Exceptional items

	2021 £	2020 £
Exceptional administrative expenses	3,081,633	905,514
Share based payment	-	380,294
	<u>3,081,633</u>	<u>1,285,808</u>

The Company incurred exceptional costs in relation to the restructuring of the wider group after the transformational nature of the acquisitions made by its parent entity in the year ended 30 November 2021. Costs were incurred in relation to internal reorganisation and restructuring, office rationalisation, and acquisition-related bonus payments.

In the prior year there was a one-off share based payment charge, which crystallised on the sale of the parent company in 2020.

6. Operating profit

The operating profit is stated after charging:

	2021 £	2020 £
Depreciation of tangible fixed assets	212,980	123,989
Amortisation of intangible fixed assets	29,995	29,994
Exchange differences	4,446	1,089
Other operating lease rentals	144,657	160,693
Loss on disposal of tangible fixed assets	19,167	-
	<u>409,245</u>	<u>315,765</u>

7. Auditor's remuneration

	2021 £	2020 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	<u>66,791</u>	<u>58,472</u>

The company has taken advantage of the exemption, SI 2008/489 (5), not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent company.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2021

8. Employees

Staff costs were as follows:

	2021 £	2020 £
Wages and salaries	4,583,363	3,572,174
Social security costs	486,699	388,566
Cost of defined contribution scheme	136,766	99,644
	<u>5,206,828</u>	<u>4,060,384</u>

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

	2021 No.	2020 No.
Operations	45	45
Administration	25	12
Sales	26	24
Marketing	4	3
	<u>100</u>	<u>84</u>

The increase in employees in the company is in relation to the hive-acrosses.

9. Income from fixed asset investments

	2021 £	2020 £
Dividend-in-specie	-	139,259
	<u>-</u>	<u>139,259</u>

10. Interest receivable and similar income

	2021 £	2020 £
Other interest receivable	168	4,014
	<u>168</u>	<u>4,014</u>

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2021

11. Interest payable and similar expenses

	2021 £	2020 £
Finance leases and hire purchase contracts	3,000	-

12. Taxation

	2021 £	2020 £
Corporation tax		
Adjustments in respect of previous periods	(19,442)	5,266
Total current tax	(19,442)	5,266

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	1,688,126	2,574,851
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	320,744	489,222
Effects of:		
Fixed asset differences	800	-
Expenses not deductible for tax purposes	163,305	205,443
Income not taxable for tax purposes	-	(26,459)
Other permanent differences	-	(398,399)
Group relief claimed	(533,688)	(288,490)
Adjustment in respect of prior periods	(19,442)	5,266
Trade losses transferred in	(271,142)	2,470
Deferred tax not recognised	319,981	16,213
Total tax (credit)/charge for the year	(19,442)	5,266

The company has an unrecognised deferred tax asset of £357,672 (2020 - £138,272) relating to losses. An asset has not been recognised based on the uncertainty and timing over when it will unwind.

Other permanent differences of £Nil (2020 - £398,399) relates to the company share options and the exercise of share options in the year.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2021

12. Taxation (continued)

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

13. Intangible assets

	Software £
Cost	
At 1 December 2020 and 30 November 2021	89,984
	<hr/>
Amortisation	
At 1 December 2020	47,314
Charge for the year	29,995
	<hr/>
At 30 November 2021	77,309
	<hr/>
Net book value	
At 30 November 2021	12,675
	<hr/> <hr/>
At 30 November 2020	42,670
	<hr/> <hr/>

Intangible assets relate to software developments costs that meet the criteria to be capitalised.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2021

14. Tangible fixed assets

	Motor vehicles £	Fixtures fittings and computer equipment £	Total £
Cost			
At 1 December 2020	100,712	748,187	848,899
Additions	-	352,449	352,449
Hived up assets	47,781	26,995	74,776
Disposals	(32,176)	(205,396)	(237,572)
At 30 November 2021	<u>116,317</u>	<u>922,235</u>	<u>1,038,552</u>
Depreciation			
At 1 December 2020	23,312	486,854	510,166
Charge for the year	26,700	186,280	212,980
Disposals	(16,088)	(180,317)	(196,405)
At 30 November 2021	<u>33,924</u>	<u>492,817</u>	<u>526,741</u>
Net book value			
At 30 November 2021	<u>82,393</u>	<u>429,418</u>	<u>511,811</u>
At 30 November 2020	<u>77,400</u>	<u>261,333</u>	<u>338,733</u>

Included within the net book value of tangible fixed assets is £59,227 (2020 - £73,927) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £20,318 (2020 - £28,079).

15. Debtors

	2021 £	2020 £
Trade debtors	2,178,281	1,374,413
Amounts owed by group undertakings	16,371,085	4,451,693
Other debtors	111,798	149,239
Prepayments and accrued income	2,585,515	1,639,698
	<u>21,246,679</u>	<u>7,615,043</u>

The amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2021

16. Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	3,456,370	1,811,445
Amounts owed to group undertakings	9,766,936	448,957
Corporation tax	22,027	46,149
Taxation and social security	1,035,918	936,680
Obligations under finance lease and hire purchase contracts	14,495	17,699
Other creditors	241,427	591,798
Accruals and deferred income	2,796,586	1,602,570
	<u>17,333,759</u>	<u>5,455,298</u>

The movement in the amounts owed to group undertakings includes the hive-across transaction undertaken. See note 25 for more information.

The amounts owed to group undertakings are unsecured, interest free and repayable on demand.

17. Creditors: amounts falling due after more than one year

	2021 £	2020 £
Hire purchase contracts	<u>44,732</u>	<u>56,227</u>

18. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2021 £	2020 £
Within one year	14,495	17,699
Between 1-5 years	44,732	56,227
	<u>59,227</u>	<u>73,926</u>

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2021

19. Share capital

	2021 £	2020 £
Allotted, issued and fully paid		
1,700,000 A Ordinary shares of £0.0001 each	170	170
290,000 B Ordinary shares of £0.0001 each	29	29
	<u>199</u>	<u>199</u>

Both share classes rank pari passu in respect of dividend, voting, redemption and capital rights.

20. Reserves

The company's capital and reserves are as follows:

Share capital

Share capital represents the nominal value of the shares issued.

Share premium account

The share premium account includes the amount subscribed for share capital in excess of the nominal value.

Capital redemption reserve

The capital redemption reserve includes amounts for the purchase of shares by the company.

Merger reserve

The merger reserve relates to the difference between the transaction price and the net liabilities acquired from the hive-across transaction from Babble Cloud AT Limited.

Capital contribution reserve

Amounts formally waived by the parent and fellow group companies relating to intercompany balances.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

21. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £136,766 (2020 - £99,644). Contributions totalling £106,949 (2020 - £21,012) were payable to the fund at the reporting date and are included in creditors.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2021

22. Commitments under operating leases

At 30 November 2021 the company had future minimum lease payments under non-cancellable operating leases:

	2021 £	2020 £
Not later than 1 year	195,927	155,625
Later than 1 year and not later than 5 years	341,967	538,406
	<u>537,894</u>	<u>694,031</u>

23. Business combinations

Babble Cloud (LT) Limited

On 1 December 2020, the assets and liabilities of fellow group company Babble Cloud (LT) Limited were transferred to Babble Cloud Limited via the intercompany accounts. The shares in Babble Cloud (LT) Limited were owned by common immediate parent company Babble Cloud Holdings Limited. No other consideration was paid by Babble Cloud Limited.

	2021 £
The net assets of Babble Cloud (LT) Limited as the date of the transfer was:	
Plant, property and equipment	-
Stock	37,031
Trade and other debtors	144,144
Cash	342,092
Trade and other creditors	(188,519)
Accruals and deferred income	(70,490)
Intercompany	(98,841)
Corporation and deferred tax	(77,177)
Net assets at date of transfer	<u>88,240</u>
Consideration	<u>88,240</u>

The transactions has been accounted for as a group reconstruction, in line with FRS 102.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2021

23. Business combinations (continued)

Babble Cloud (CMT) Limited

On 1 December 2020, the assets and liabilities of fellow group company Babble Cloud (CMT) Limited were transferred to Babble Cloud Limited via the intercompany accounts. The shares in Babble Cloud (CMT) Limited were owned by common indirect parent company Babble Cloud Holdings Limited. No other consideration was paid by Babble Cloud Limited.

	2021 £
The net assets of Babble Cloud (CMT) Limited as the date of the transfer was:	
Plant, property and equipment	8,425
Stock	6,470
Trade and other debtors	208,717
Cash	949,916
Trade and other creditors	(313,380)
Accruals and deferred income	(216,413)
Intercompany	(16,992)
Corporation and deferred tax	(6,790)
Net assets at date of transfer	619,953
Consideration	619,953

The transactions has been accounted for as a group reconstruction, in line with FRS 102.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2021

23. Business combinations (continued)

Babble Cloud (SN) Limited

On 1 May 2021, the assets and liabilities of fellow group company Babble Cloud (SN) Limited were transferred to Babble Cloud Limited via the intercompany accounts. The shares in Babble Cloud (SN) Limited was owned by common immediate parent company Babble Cloud Holdings Limited. No other consideration was paid by Babble Cloud Limited.

	2021 £
The net assets of Babble Cloud (SN) Limited as the date of the transfer was:	
Plant, property and equipment	-
Stock	-
Trade debtors	61,045
Accrued income	11,839
Prepayments	26,877
Other debtors	98
Cash	48,473
Trade creditors	(58,550)
Accruals	(11,833)
Other creditors	(988)
Deferred income	(15,875)
Intercompany	168,056
Corporation and deferred tax	(17,697)
Net assets at date of transfer	211,445
Consideration	211,445

The transactions has been accounted for as a group reconstruction, in line with FRS 102.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2021

23. Business combinations (continued)

Babble Cloud (81G) Limited

On 1 November 2021, the assets and liabilities of fellow group company Babble Cloud (81G) Limited were transferred to Babble Cloud Limited via the intercompany accounts. The shares in Babble Cloud (81G) Limited were owned by common immediate parent company Babble Cloud Holdings Limited. No other consideration was paid by Babble Cloud Limited.

	2021 £
The net assets of Babble Cloud (81G) Limited as the date of the transfer was:	
Plant, property and equipment	-
Stock	-
Trade and other debtors	196,294
Cash	-
Trade and other creditors	(168,553)
Accruals and deferred income	(112,461)
Intercompany	599,857
Corporation and deferred tax	(59,049)
Net assets at date of transfer	456,088
Consideration	456,088

The transactions has been accounted for as a group reconstruction, in line with FRS 102.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2021

23. Business combinations (continued)

Babble Cloud (ACT) Limited

On 1 November 2021, the assets and liabilities of fellow group company Babble Cloud (ACT) Limited were transferred to Babble Cloud Limited via the intercompany accounts. The shares in Babble Cloud (ACT) Limited were owned by common immediate parent company Babble Cloud Holdings Limited. No other consideration was paid by Babble Cloud Limited.

	2021 £
The net assets of Babble Cloud (ACT) Limited as the date of the transfer was:	
Plant, property and equipment	72,861
Stock	45,299
Trade and other debtors	873,839
Cash	133,279
Trade and other creditors	(369,743)
Accruals and deferred income	(862,547)
Intercompany	177,055
Corporation and deferred tax	-
Net assets at date of transfer	70,043
Consideration	70,043

The transactions has been accounted for as a group reconstruction, in line with FRS 102.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2021

23. Business combinations (continued)

Babble Cloud (UC) Limited

On 1 November 2021, the assets and liabilities of fellow group company Babble Cloud (UC) Limited were transferred to Babble Cloud Limited via the intercompany accounts. The shares in Babble Cloud (UC) Limited were owned by common indirect parent company Babble Cloud Holdings Limited. No other consideration was paid by Babble Cloud Limited.

	2021 £
The net assets of Babble Cloud (UC) Limited as the date of the transfer was:	
Plant, property and equipment	-
Stock	-
Trade and other debtors	315,223
Cash	26
Trade and other creditors	(168,868)
Accruals and deferred income	(132,734)
Intercompany	770,497
Corporation and deferred tax	30,313
Net assets at date of transfer	814,457
Consideration	814,457

The transactions has been accounted for as a group reconstruction, in line with FRS 102.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2021

23. Business combinations (continued)

Babble Cloud (UCH) Limited

On 1 November 2021, the assets and liabilities of fellow group company Babble Cloud (UCH) Limited were transferred to Babble Cloud Limited via the intercompany accounts. The shares in Babble Cloud (UCH) Limited were owned by common immediate parent company Babble Cloud Holdings Limited. No other consideration was paid by Babble Cloud Limited.

	2021 £
The net assets of Babble Cloud (UCH) Limited as the date of the transfer was:	
Plant, property and equipment	-
Stock	-
Trade and other debtors	-
Cash	-
Trade and other creditors	-
Accruals and deferred income	-
Intercompany	1,027,005
Corporation and deferred tax	-
Net assets at date of transfer	1,027,005
Consideration	1,027,005

The transactions has been accounted for as a group reconstruction, in line with FRS 102.

24. Related party transactions

The company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

25. Ultimate controlling party

The immediate parent undertaking is Babble Cloud Holdings Limited, a company incorporated in England and Wales.

The ultimate parent undertaking is Dvorak Topco Limited, a company incorporated in England and Wales.

The largest group in which the results of these financial statements are consolidated is that headed by Dvorak Topco Limited copies of which may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF12 3VZ.

In the opinion of the directors, there is no single ultimate controlling party.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2021

26. Post balance sheet events

On 1 March 2022, the assets and liabilities of fellow group company Babble Cloud (CRT) Limited were transferred to the company via the intercompany accounts. On 1 April 2022, the assets and liabilities of fellow group companies Babble Cloud (DCS) Limited and Babble Cloud (HAL) Limited were transferred to the company via the intercompany accounts. The shares in all these companies were owned by common immediate parent company Babble Cloud Holdings Limited. No other consideration was paid by the company. See note 25 for more information.

On 29 March 2022, the company acquired the telecoms services business of Tetcom Network Services Limited for a consideration of £2,100,000.