

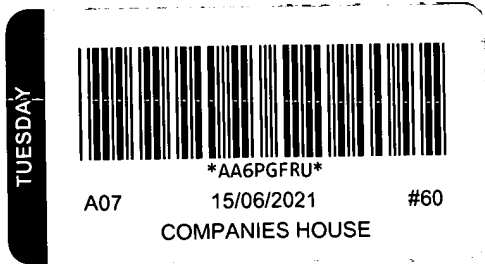
Babble Cloud Limited

Annual Report and Financial Statements

Year Ended

30 November 2020

Company Number 04213760



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

Contents

| | Page |
|--|---------|
| Strategic Report | 1 - 2 |
| Directors' Report | 3 - 4 |
| Independent Auditor's Report | 5 - 7 |
| Statement of Comprehensive Income | 8 |
| Statement of Financial Position | 9 |
| Statement of Changes in Equity | 10 |
| Notes to the Financial Statements | 11 - 29 |

Babble Cloud Limited

Strategic Report For the Year Ended 30 November 2020

The directors present their Strategic Report together with the audited financial statements for the year ended 30 November 2020.

Principal activity

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 2020 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.

On 1 August 2020, the assets and liabilities of fellow group company Babble Cloud (DI) Limited were transferred to Babble Cloud Limited via the intercompany accounts. The shares in Babble Cloud (DI) Limited was owned by common immediate parent company Babble Cloud Holdings Limited. No other consideration was paid by Babble Cloud Limited. See note 22 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 specific consideration with the risks associated with the COVID-19 situation, the directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

As at 30 November 2020, the company had cash resources of £2,201,718 (2019 - £802,368), current assets of £9,816,761 (2019: £6,752,638), net current assets of £4,361,463 (2019 - net current liabilities of £8,035,480) and net assets of £4,686,639 (2019 - net liabilities of £7,804,419). In the year to 30 November 2020 the company made a profit before tax of £2,574,851 (2019 - £1,469,217).

In March 2020, a global pandemic due to the COVID-19 virus was announced by the World Health Organisation (WHO) that has subsequently caused governments across the world to place restrictions on people's movements, restricting international travel and imposing other restrictions, causing disruption to some businesses. The COVID-19 pandemic has had wide-ranging implications for the economy as a whole, but to date, limited impact on the company. The directors have not observed any significant impacts to the industry, and as such there has been minimal impact on customer attrition, supplier disruption, pricing and cash flows. The directors continue to monitor the impacts on the company and industry, and have prepared detailed financial projections and reviewed the company's financial position to ensure that it has adequate resources to continue in operational existence in the foreseeable future. The directors are comfortable a scenario that would result in the business not having sufficient cash reserves is extremely remote.

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 2020 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.

Babble Cloud Limited

Strategic Report (continued) For the Year Ended 30 November 2020

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 2020 are set out below:

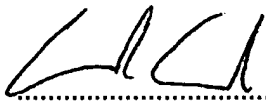
| | 2020 | 2019 |
|-------------------------|------------|------------|
| Turnover (£'s) | 18,564,370 | 12,667,505 |
| Gross profit (£'s) | 9,398,842 | 6,249,879 |
| Gross profit margin (%) | 51 | 49 |
| Cash (£'s) | 2,201,718 | 802,368 |
| Number of employees | 84 | 60 |

Principal risks and uncertainties

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

Therefore, the principal risk for the company is the general economic climate, particularly for UK based SMEs 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: 11 June 2021

Babble Cloud Limited

Directors' Report For the Year Ended 30 November 2020

The directors present their report together with the audited financial statements for the year ended 30 November 2020.

Results and dividends

The profit for the year, after taxation, amounted to £2,569,585 (2019 - £1,469,217).

The directors do not recommend payment of a dividend (2019 - £Nil).

Going concern

For further information on going concern see note 2.3

Directors

The directors who served during the year were:

A Lindsell (resigned 9 November 2020, reappointed 17 March 2021)
M Parker
J Cawood

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). 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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Post statement of financial position events

On 1 December 2020, the assets and liabilities of Babble Cloud (LT) Limited and Babble Cloud (CMT) Limited were transferred to Babble Cloud Limited.

Babble Cloud Limited

Directors' Report (continued) For the Year Ended 30 November 2020

Disclosure of information to auditor

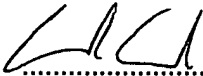
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- 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.



.....
J Cawood
Director

Date: 11 June 2021

Babble Cloud Limited

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

Opinion

We have audited the financial statements of Babble Cloud Limited ("the company") for the year ended 30 November 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the 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 November 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

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 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.

Matters on which we are required to report by exception

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

Babble Cloud Limited

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

Responsibilities of directors

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 at 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:

Andrew Gandell

30DCC1682971468

Andrew Gandell (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

Date: 11 June 2021

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 2020

| | Note | 2020 £ | 2019 £ |
|--|------|--------------------|-------------|
| Turnover | 4 | 18,530,606 | 12,667,505 |
| Cost of sales | | (9,100,266) | (6,417,626) |
| Gross profit | | 9,430,340 | 6,249,879 |
| Administrative expenses | | (5,712,954) | (4,389,939) |
| Exceptional administrative expenses | 5 | (1,285,808) | (375,354) |
| Total administrative expenses | | (6,998,762) | (4,765,293) |
| Operating profit | 6 | 2,431,578 | 1,484,586 |
| Income from fixed assets investments | 9 | 139,259 | - |
| Interest receivable and similar income | 10 | 4,014 | 984 |
| Interest payable and similar charges | | - | (16,353) |
| Profit before tax | | 2,574,851 | 1,469,217 |
| Taxation | 11 | (5,266) | - |
| Profit for the financial year | | 2,569,585 | 1,469,217 |

All amounts relate to continuing activities.

The notes on pages 11 to 29 form part of these financial statements.

Babble Cloud Limited
Registered number:04213760

Statement of Financial Position
As at 30 November 2020

| | Note | 2020 £ | 2020 £ | 2019 £ | 2019 £ |
|---|------|------------------|-------------------------|------------------|---------------------------|
| Fixed assets | | | | | |
| Intangible assets | 12 | | 42,670 | | 72,664 |
| Tangible assets | 13 | | 338,733 | | 240,452 |
| Investments | 14 | | - | | 100 |
| | | | <u>381,403</u> | | <u>313,216</u> |
| Current assets | | | | | |
| Debtors | 15 | 7,615,043 | | 5,950,270 | |
| Cash and cash equivalents | | 2,201,718 | | 802,368 | |
| | | <u>9,816,761</u> | | <u>6,752,638</u> | |
| Current liabilities | | | | | |
| Creditors: amounts falling due within one year | 16 | (5,455,298) | | (14,788,118) | |
| Net current assets/(liabilities) | | | <u>4,361,463</u> | | <u>(8,035,480)</u> |
| Total assets less current liabilities | | | <u>4,742,866</u> | | <u>(7,722,264)</u> |
| Creditors: amounts falling due after more than one year | 17 | | (56,227) | | (82,155) |
| Net assets/(liabilities) | | | <u><u>4,686,639</u></u> | | <u><u>(7,804,419)</u></u> |
| Capital and reserves | | | | | |
| Called up share capital | 18 | | 199 | | 199 |
| Share premium account | 19 | | 70,297 | | 70,297 |
| Capital redemption reserve | 19 | | 30 | | 30 |
| Capital contribution reserve | 19 | | 9,541,179 | | - |
| Merger reserve | 19 | | (9,653,505) | | (9,653,505) |
| Retained earnings | 19 | | 4,728,439 | | 1,778,560 |
| Shareholder's funds/(deficit) | | | <u><u>4,686,639</u></u> | | <u><u>(7,804,419)</u></u> |

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



J Cawood
Director

Date: 11 June 2021

The notes on pages 11 to 29 form part of these financial statements.

Babble Cloud Limited

Statement of Changes in Equity For the Year Ended 30 November 2020

| | Called up share capital | Share premium account | Capital redemption reserve | Capital contribution reserve | Merger reserve | Retained earnings | Total equity |
|-----------------------------------|-------------------------------|-----------------------------|----------------------------------|------------------------------------|--------------------|----------------------|--------------------|
| | £ | £ | £ | £ | £ | £ | £ |
| At 1 December 2018 | 199 | 70,297 | 30 | - | - | 309,343 | 379,869 |
| Profit for the year | - | - | - | - | - | 1,469,217 | 1,469,217 |
| Creation of merger reserve | - | - | - | - | (9,653,505) | - | (9,653,505) |
| At 1 December 2019 | 199 | 70,297 | 30 | - | (9,653,505) | 1,778,560 | (7,804,419) |
| Profit 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 30 November 2020 | 199 | 70,297 | 30 | 9,541,179 | (9,653,505) | 4,728,439 | 4,686,639 |

The notes on pages 11 to 29 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 2020

1. General information

Babble Cloud Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

Babble Cloud (DI) Limited hived its trade and assets in to the company on 1 August 2020. This has been accounted for as a group reconstruction under the provisions of FRS 102.

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

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 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 2020 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 2020

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 specific consideration with the risks associated with the COVID-19 situation, the directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

As at 30 November 2020, the company had cash resources of £2,201,718 (2019 - £802,368), current assets of £9,816,761 (2019: £6,752,638), net current assets of £4,361,463 (2019 - net current liabilities of £8,035,480) and net assets of £4,686,639 (2019 - net liabilities of £7,804,419). In the year to 30 November 2020 the company made a profit before tax of £2,574,851 (2019 - £1,469,217).

In March 2020, a global pandemic due to the COVID-19 virus was announced by the World Health Organisation (WHO) that has subsequently caused governments across the world to place restrictions on people's movements, restricting international travel and imposing other restrictions, causing disruption to some businesses. The COVID-19 pandemic has had wide-ranging implications for the economy as a whole, but to date, limited impact on the company. The directors have not observed any significant impacts to the industry, and as such there has been minimal impact on customer attrition, supplier disruption, pricing and cash flows. The directors continue to monitor the impacts on the company and industry, and have prepared detailed financial projections and reviewed the company's financial position to ensure that it has adequate resources to continue in operational existence in the foreseeable future. The directors are comfortable a scenario that would result in the business not having sufficient cash reserves is extremely remote.

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 2020 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 charges. Revenue is recognised in the period in which the additional charges are incurred.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2020

2. Accounting policies (continued)

2.4 Turnover (continued)

- One-off 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.

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 |
|----------------------|---|--------------------|

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.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2020

2. Accounting policies (continued)

2.8 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.

2.9 Cash and cash equivalents

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

2.10 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.

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.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2020

2. Accounting policies (continued)

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'.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2020

2. Accounting policies (continued)

2.13 Financial instruments

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

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

2.14 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 2020

2. Accounting policies (continued)

2.15 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.

2.16 Interest income

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

2.17 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

2.18 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 2020

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..

Other key sources of estimation uncertainty:

- **Tangible fixed assets (see note 13)**
Tangible fixed assets are depreciated over their estimated useful lives, with no residual value. The actual lives of the assets are assessed annually and may vary depending on a number of factors.
- **Share based payments**
The group calculates the cost of certain share-based payments by reference to the fair value of the equity instruments granted. The fair value of the instruments granted is subject to management estimate and any changes to these estimates may have a significant effect on the share-based payment charge to the income statement.
- **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.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2020

4. Turnover

All turnover relates to the principal activity of the company.

Analysis of turnover by country of destination:

| | 2020 £ | 2019 £ |
|-------------------|-------------------|-------------------|
| United Kingdom | 17,459,302 | 12,249,208 |
| Rest of Europe | 499,105 | - |
| Rest of the world | 572,199 | 418,297 |
| | <u>18,530,606</u> | <u>12,667,505</u> |

5. Exceptional items

| | 2020 £ | 2019 £ |
|-------------------------------------|------------------|----------------|
| Exceptional administrative expenses | 905,514 | 375,354 |
| Share based payment | 380,294 | - |
| | <u>1,285,808</u> | <u>375,354</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 2020 as well as the subsequent sale of the parent Company. Costs were incurred in relation to internal reorganisation and restructuring, office rationalisation and acquisition-related bonus payments.

There was also a one-off share based payment charge, which crystallised on the sale of the parent company.

6. Operating profit

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

| | 2020 £ | 2019 £ |
|---|----------------|----------------|
| Depreciation of tangible fixed assets | 123,989 | 123,067 |
| Amortisation of intangible fixed assets | 29,994 | 17,320 |
| Exchange differences | 1,089 | (752) |
| Other operating lease rentals | 160,693 | 148,615 |
| | <u>160,693</u> | <u>148,615</u> |

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2020

7. Auditor's remuneration

| | 2020 £ | 2019 £ |
|---|---------------|---------------|
| Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements | <u>58,472</u> | <u>67,000</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.

8. Employees

Staff costs were as follows:

| | 2020 £ | 2019 £ |
|-------------------------------------|------------------|------------------|
| Wages and salaries | 3,572,174 | 2,481,985 |
| Social security costs | 388,566 | 58,304 |
| Cost of defined contribution scheme | 99,644 | 33,368 |
| | <u>4,060,384</u> | <u>2,573,657</u> |

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

| | 2020 No. | 2019 No. |
|----------------|-------------|-------------|
| Operations | 45 | 26 |
| Administration | 12 | 9 |
| Sales | 21 | 18 |
| Contact centre | 3 | 4 |
| Marketing | 3 | 3 |
| | <u>84</u> | <u>60</u> |

The increase in employees in the company is in relation to the hive-across of Babble Cloud (DI) Limited as at 1 August 2020.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2020

9. Income from investments

| | 2020 £ | 2019 £ |
|--------------------|-----------|-----------|
| Dividend-in-specie | 139,259 | - |

On 26 February 2020 Babble Cloud Limited received a dividend-in-specie from its subsidiary Babble Cloud (IT) Limited.

10. Interest receivable

| | 2020 £ | 2019 £ |
|---------------------------|-----------|-----------|
| Other interest receivable | 4,014 | 984 |

11. Taxation

| | 2020 £ | 2019 £ |
|--|-----------|-----------|
| Corporation tax | | |
| Adjustments in respect of previous periods | 5,266 | - |

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2020

11. Taxation (continued)

Factors affecting tax charge for the year

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

| | 2020 £ | 2019 £ |
|--|--------------|-----------|
| Profit on ordinary activities before tax | 2,574,851 | 1,469,217 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%) | 489,222 | 279,151 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 205,443 | 20,189 |
| Income not taxable for tax purposes | (26,459) | - |
| Other permanent differences | (398,399) | - |
| Group relief claimed | (288,490) | (160,738) |
| Adjustment in respect of prior periods | 5,266 | - |
| Trade losses transferred in | 2,470 | (267,649) |
| Deferred tax not recognised | 16,213 | 115,463 |
| Other adjustments | - | 13,584 |
| Total tax charge for the year | 5,266 | - |

The company has an unrecognised deferred tax asset of £138,272 (2019 - asset of £129,541) relating to losses. An asset has not been recognised based on the uncertainty and timing over when it will unwind.

Other permanent differences of £398,399 (2019 - £nil) relates to the company share options and the exercise of share options in the year.

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2020

12. Intangible assets

| | Software £ |
|--|---------------|
| Cost | |
| At 1 December 2019 and at 30 November 2020 | 89,984 |
| | <hr/> |
| Amortisation | |
| At 1 December 2019 | 17,320 |
| Charge for the year | 29,994 |
| | <hr/> |
| At 30 November 2020 | 47,314 |
| | <hr/> |
| Net book value | |
| At 30 November 2020 | 42,670 |
| | <hr/> <hr/> |
| At 30 November 2019 | 72,664 |
| | <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 2020

13. Tangible fixed assets

| | Motor vehicles £ | Fixtures fittings and computer equipment £ | Total £ |
|---|------------------------|--|----------------|
| Cost | | | |
| At 1 December 2019 | 96,757 | 496,972 | 593,729 |
| Additions | - | 205,204 | 205,204 |
| Transfer between classes | 3,955 | (3,955) | - |
| Transfer of assets (as a result of hive up) | - | 49,966 | 49,966 |
| | <u>100,712</u> | <u>748,187</u> | <u>848,899</u> |
| At 30 November 2020 | | | |
| Depreciation | | | |
| At 1 December 2019 | 3,058 | 350,219 | 353,277 |
| Charge for the year | 20,254 | 103,735 | 123,989 |
| Transfer of assets (as a result of hive up) | - | 32,900 | 32,900 |
| | <u>23,312</u> | <u>486,854</u> | <u>510,166</u> |
| At 30 November 2020 | | | |
| Net book value | | | |
| At 30 November 2020 | <u>77,400</u> | <u>261,333</u> | <u>338,733</u> |
| At 30 November 2019 | <u>93,699</u> | <u>146,753</u> | <u>240,452</u> |

Included within the net book value of tangible fixed assets is £73,927 (2019 - £102,006) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £28,079 (2019 - £32,238).

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2020

14. Fixed asset investments

| | Investments in subsidiary companies £ |
|--------------------------------|---|
| Cost and net book value | |
| At 1 December 2019 | 100 |
| Disposals | (100) |
| | <hr/> |
| At 30 November 2020 | - |
| | <hr/> <hr/> |

On 29 September 2020 Babble Cloud (IT) Limited, which the company had a 100% holding in, was dissolved.

15. Debtors

| | 2020 £ | 2019 £ |
|------------------------------------|------------------|------------------|
| Trade debtors | 1,374,413 | 1,240,133 |
| Amounts owed by group undertakings | 4,451,693 | 2,150,061 |
| Other debtors | 149,239 | 274,470 |
| Prepayments and accrued income | 1,639,698 | 2,285,606 |
| | <hr/> | <hr/> |
| | 7,615,043 | 5,950,270 |
| | <hr/> <hr/> | <hr/> <hr/> |

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 2020

16. Creditors: amounts falling due within one year

| | 2020 £ | 2019 £ |
|---|------------------|-------------------|
| Bank overdrafts | - | 411 |
| Trade creditors | 1,811,445 | 2,016,941 |
| Amounts owed to group undertakings | 448,957 | 9,862,692 |
| Corporation tax | 46,149 | 27,381 |
| Taxation and social security | 936,680 | 532,762 |
| Obligations under finance lease and hire purchase contracts | 17,699 | 19,851 |
| Other creditors | 591,798 | 94,850 |
| Accruals and deferred income | 1,602,570 | 2,233,230 |
| | <u>5,455,298</u> | <u>14,788,118</u> |

The movement in the amounts owed to group undertakings relates to the hive-across transaction undertaken with Babble Cloud (DI) Limited. See note 22 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

| | 2020 £ | 2019 £ |
|-------------------------|---------------|---------------|
| Hire purchase contracts | <u>56,227</u> | <u>82,155</u> |

18. Share capital

| | 2020 £ | 2019 £ |
|---|------------|------------|
| 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.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2020

19. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up 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.

Retained earnings

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

20. 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 £99,644 (2019 - £33,368). Contributions totalling £21,012 (2019 - £11,696) 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 2020

21. Commitments under operating leases

At 30 November 2020 the company had future minimum lease payments under non-cancellable operating leases:

| | 2020 £ | 2019 £ |
|--|----------------|----------------|
| Not later than 1 year | 155,625 | 97,074 |
| Later than 1 year and not later than 5 years | 538,406 | 188,500 |
| Later than 5 years | - | 54,979 |
| | <u>694,031</u> | <u>340,553</u> |

During the year, Babble Cloud Limited renewed the lease for Bury House for 5 years.

22. Business combinations

Babble Cloud (DI) Limited

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

| | 2020 £ |
|---|------------------|
| The book value and fair value of net assets of Babble Cloud (DI) Limited at the date of transfer were: | |
| Property, plant and equipment | 17,066 |
| Trade and other debtors | 243,579 |
| Cash | 1,115,901 |
| Trade and other creditors | (280,633) |
| Accruals and deferred income | (132,913) |
| Intercompany balances | 1,957,777 |
| Corporation and deferred tax creditors | (46,149) |
| Net assets at date of transfer | <u>2,874,628</u> |
| Consideration | <u>2,874,628</u> |

The transaction has been accounted for as a group reconstruction.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2020

23. 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.

24. Ultimate controlling party

At the date of sign off, the company's immediate parent undertaking was Babble Cloud Holdings Limited and ultimate parent undertaking was Dvorak Topco Limited.

The largest and smallest 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 one ultimate controlling party.

25. Post statement of financial position events

On 1 December 2020, the assets and liabilities of Babble Cloud (LT) Limited and Babble Cloud (CMT) Limited were transferred to Babble Cloud Limited.