

Babble Cloud Limited

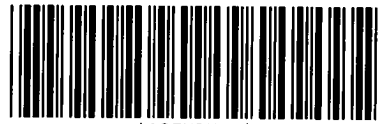
Directors' Report and Financial Statements

Year Ended

30 November 2019

Company Number 04213760

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Babble Cloud Limited

Company Information

Directors	A Lindsell M Parker J Cawood
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

Directors' Report For the Year Ended 30 November 2019

The directors present their report together with the audited financial statements for the year ended 30 November 2019.

Principal activity

The principal activity of the company in the year under review was that of provision of telecommunication services and related technical services.

On 1 July 2019, the assets and liabilities of fellow group companies Babble Cloud (AT) Limited, Babble Cloud (IT) Limited, Babble Cloud (TIC) Limited and Direct Response Limited were transferred to Babble Cloud Limited. See note 19 for more information.

Directors

The directors who served during the year were:

A Lindsell
M Parker
J Cawood

Post statement of financial position events and going concern

On 31 January 2020, the World Health Organisation declared a global pandemic due to the COVID-19 virus that has spread across the globe, causing different governments and countries to enforce restrictions on people movements, a stop to international travel, and other precautionary measures. This has had a widespread impact economically and a number of industries have been heavily impacted. This has resulted in supply chain impacts for certain industries, uncertainty over cash collection from customers, and a more general need to consider whether budgets and targets previously set are realistic in light of these events. The business has carried out detailed reverse stress testing in order to consider how much forecasts have to reduce by in order to cause cash constraints, and also to consider the likelihood of the scenario occurring. The business has also looked at the financial covenants around its loan facilities to ensure there is not a breach that is likely to occur in the forecast period. In the light of all this analysis the directors are comfortable that a scenario which would cause these cash restrictions is deemed to be remote and therefore not a realistic outcome to consider. For further information on going concern, see note 2.2.

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.

Babble Cloud Limited

Directors' Report (continued) For the Year Ended 30 November 2019

Auditor

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

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 9 October 2020 and signed on its behalf.


J Cawood
Director

Babble Cloud Limited

Directors' Responsibilities Statement For the Year Ended 30 November 2019

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;
- 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.

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 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2019 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 directors' 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

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.

BDO LLP

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

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 2019

	Note	2019 £	2018 £
Turnover		12,667,505	7,776,791
Cost of sales		(6,417,626)	(3,999,252)
Gross profit		6,249,879	3,777,539
Administrative expenses		(4,389,939)	(3,186,038)
Exceptional administrative expenses	4	(375,354)	-
Total administrative expenses		(4,765,293)	(3,186,038)
Operating profit		1,484,586	591,501
Interest receivable and similar income		984	-
Interest payable and similar charges		(16,353)	(1,439)
Profit before tax		1,469,217	590,062
Taxation	6	-	-
Profit and total comprehensive income for the financial year		1,469,217	590,062

All amounts relate to continuing activities.

There was no other comprehensive income for 2019 (2018 - £Nil).

The notes on pages 11 to 25 form part of these financial statements.

Babble Cloud Limited


Registered number: 04213760

Statement of Financial Position As at 30 November 2019

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Intangible assets	7		72,664		45,055
Tangible assets	8		240,452		172,722
Investments	9		100		100
			<u>313,216</u>		<u>217,877</u>
Current assets					
Debtors: amounts falling due within one year	10	5,960,270		1,618,384	
Cash at bank and in hand		802,368		333,597	
		<u>6,752,638</u>		<u>1,951,981</u>	
Creditors: amounts falling due within one year	11	(14,788,118)		(1,712,513)	
Net current (liabilities)/assets			<u>(8,035,480)</u>		<u>239,468</u>
Total assets less current liabilities			<u>(7,722,264)</u>		<u>457,345</u>
Creditors: amounts falling due after more than one year	12		(82,155)		(77,476)
Net (liabilities)/assets			<u>(7,804,419)</u>		<u>379,869</u>
Capital and reserves					
Called up share capital	14		199		199
Share premium account	15		70,297		70,297
Capital redemption reserve	15		30		30
Merger reserve	15		(9,653,505)		-
Retained earnings	15		1,778,560		309,343
Shareholder's (deficit)/funds			<u>(7,804,419)</u>		<u>379,869</u>

The company's financial statements have been prepared in accordance with the provisions applicable to entities subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
9 OCTOBER 2020


J Cawood
Director

The notes on pages 11 to 25 form part of these financial statements.

Babble Cloud Limited

Statement of Changes in Equity For the Year Ended 30 November 2019

	Called up share capital	Share premium account	Capital redemption reserve	Merger reserve	Retained earnings	Total equity
	£	£	£	£	£	£
At 1 December 2018	199	70,297	30	-	309,343	379,869
Comprehensive income for the year						
Profit for the year	-	-	-	-	1,469,217	1,469,217
Total comprehensive income for the year	-	-	-	-	1,469,217	1,469,217
Creation of merger reserve	-	-	-	(9,653,505)	-	(9,653,505)
At 30 November 2019	199	70,297	30	(9,653,505)	1,778,560	(7,804,419)

See note 19 for more information on the creation of the merger reserve.

Babble Cloud Limited

Statement of Changes in Equity For the Year Ended 30 November 2018

	Called up share capital	Share premium account	Capital redemption reserve	Retained earnings	Total equity
	£	£	£	£	£
At 1 December 2017	199	70,297	30	(280,719)	(210,193)
Comprehensive income for the year					
Profit for the year	-	-	-	590,062	590,062
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>590,062</u>	<u>590,062</u>
At 30 November 2018	<u>199</u>	<u>70,297</u>	<u>30</u>	<u>309,343</u>	<u>379,869</u>

The notes on pages 11 to 25 form part of these financial statements.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2019

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 directors' 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 Section 1A of 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 Section 1A of FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

Babble Cloud AT Limited hived its trade and assets in to the company. 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 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 2019, the company had cash resources of £802,368 (2018 - £333,597), current assets of £6,752,638 (2018: £1,951,981), net current liabilities of £8,035,480 (2018 - net current assets of £239,468) and net liabilities of £7,804,419 (2018 - net assets of £379,869). In the year to 30 November 2019 the company made a profit before tax of £1,469,217 (2018 - £590,062).

The increase in the net liability position is primarily in relation to the increase in amounts due to group undertakings which has resulted from the hive-across transaction with Babble Cloud AT Limited.

In January 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.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2019

2. Accounting policies (continued)

2.2 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 12 months from the signing of the 2019 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.

2.3 Preparation of consolidated financial statements

The financial statements contain information about Babble Cloud Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken the option under the Companies Act 2006 not to prepare consolidated financial statements by virtue of the fact that its immediate and ultimate parent undertaking, Babble Cloud Holdings Limited, prepares consolidated financial statements.

2.4 Turnover

Turnover comprises revenues from third parties in respect of charges for the provision of telecommunications services, exclusive of sales taxes.

Revenue from third parties is generated from the provision of telecommunication services; including line rentals, call charges, training, 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.
- One-off revenue - revenue is generated from training, 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 sale contract is designed to meet the specific requirements of each customer. Where agreements involve multiple elements, the entire fee from such arrangement 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 2019

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 profit or loss.

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. 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.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2019

2. Accounting policies (continued)

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.

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 profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

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

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.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2019

2. Accounting policies (continued)

2.13 Financial instruments (continued)

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

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 profit or loss 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 profit or loss using the effective interest method.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2019

2. Accounting policies (continued)

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 the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

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:

- 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.
- 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.

Other key sources of estimation uncertainty:

- Tangible fixed assets (see note 8)

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.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2019

4. Exceptional items

	2019 £	2018 £
Exceptional administrative expenses	<u>375,354</u>	<u>-</u>

The Company incurred costs in relation to the restructuring of the wider group after the transformational nature on the acquisitions made in the year ended 30 November 2018 by fellow Group Companies. These costs are in relation to restructuring, reorganisation and professional services.

5. Employees

The average number of employees (including directors) during the year was 60 (2018 - 34).

The increase in employees in the group is in relation to the hive-across of Babble Cloud AT Limited as at 1 July 2019.

6. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	<u>-</u>	<u>-</u>

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2019

6. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	1,469,217	590,062
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	279,151	112,112
Effects of:		
Expenses not deductible for tax purposes	20,189	38,599
Group relief claimed	(160,738)	(15,864)
Brought forward losses utilised	-	(134,847)
Trade losses transferred in	(267,649)	-
Deferred tax not recognised	115,463	-
Other adjustments	13,584	-
Total tax charge for the year	-	-

The company has an unrecognised deferred tax asset of £129,541 (2018 - asset of £4,799).

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 2019

7. Intangible assets

	Software £
Cost	
At 1 December 2018	45,055
Additions	44,929
At 30 November 2019	<u>89,984</u>
Amortisation	
At 1 December 2018	-
Charge for the year	17,320
At 30 November 2019	<u>17,320</u>
Net book value	
At 30 November 2019	<u>72,664</u>
At 30 November 2018	<u>45,055</u>

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 2019

8. Tangible fixed assets

	Motor vehicles £	Fixtures fittings and computer equipment £	Total £
Cost or valuation			
At 1 December 2018	94,936	300,186	395,122
Additions	95,435	196,786	292,221
Disposals	(93,614)	-	(93,614)
At 30 November 2019	<u>96,757</u>	<u>496,972</u>	<u>593,729</u>
Depreciation			
At 1 December 2018	1,022	221,378	222,400
Charge for the year	20,759	128,841	149,600
Disposals	(18,723)	-	(18,723)
At 30 November 2019	<u>3,058</u>	<u>350,219</u>	<u>353,277</u>
Net book value			
At 30 November 2019	<u>93,699</u>	<u>146,753</u>	<u>240,452</u>
At 30 November 2018	<u>93,914</u>	<u>78,808</u>	<u>172,722</u>

Included within the net book value of tangible fixed assets is £102,006 (2018 - £119,757) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £32,238 (2018 - £35,907).

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2019

9. Investments

Shares in
group
undertaking
£

Cost and net book value

At 1 December 2018 and 30 November 2019

100

Subsidiary undertaking

The following was a subsidiary undertaking of the company:

Name	Principal activity	Class of shares	Holding
Babble Cloud (IT) Ltd (formerly IP Solutions (IT) Ltd)	IT facilities management	Ordinary	100%

The registered office of the above subsidiary is 5th Floor, Bury House, 31 Berry Street, London, EC3A 5AR.

The subsidiary is in the process of liquidation as at the year-end.

10. Debtors: amounts falling due within one year

	2019 £	2018 £
Trade debtors	1,240,133	370,936
Amounts owed by group undertakings	2,150,061	526,453
Other debtors	274,470	79,736
Prepayments and accrued income	2,285,606	641,259
	<u>5,950,270</u>	<u>1,618,384</u>

The impairment loss recognised in profit or loss for the year in respect of bad debts and doubtful trade debtors was £118,884 (2018 - £9,200).

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2019

11. Creditors: amounts falling due within one year

	2019 £	2018 £
Bank overdrafts	411	-
Trade creditors	2,016,941	401,173
Amounts owed to group undertakings	9,862,692	182,030
Corporation tax	27,381	-
Taxation and social security	532,762	276,171
Obligations under finance lease and hire purchase contracts	19,851	37,280
Other creditors	94,850	94,887
Accruals and deferred income	2,233,230	720,972
	<u>14,788,118</u>	<u>1,712,513</u>

The increase in the amounts owed to group undertakings relates to the hive-across transaction undertaken with Babble Cloud AT Limited. See note 19 for more information.

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

	2019 £	2018 £
Hire purchase contracts	<u>82,155</u>	<u>77,476</u>

13. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2019 £	2018 £
In one year or less, on demand	19,851	37,280
In more than one year, but not more than five years	82,155	77,476
	<u>102,006</u>	<u>114,756</u>

The provider of finance lease has first floating charge over all assets of the company.

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2019

14. Share capital

	2019 £	2018 £
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.

15. 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.

Retained earnings

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

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.

16. 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 £162,695 (2018 - £139,113). Contributions totalling £11,696 (2018 - £Nil) 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 2019

17. Commitments under operating leases

At 30 November 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	97,074	149,846
Later than 1 year and not later than 5 years	188,500	49,948
Later than 5 years	54,979	-
	<u>340,553</u>	<u>199,794</u>

18. Business combinations

Babble Cloud AT Limited

On 1 July 2019 the assets and liabilities of fellow group company Babble Cloud (AT) Limited were transferred to Babble Cloud Limited via the intercompany account. The shares in Babble Cloud (AT) Limited were owned by fellow group company Babble Cloud (ACG) Limited. No other consideration was paid by Babble Cloud Limited.

	2019 £
The net assets of Babble Cloud (AT) Limited at the date of transfer were:	
Property, plant and equipment	82,062
Trade and other debtors	2,477,782
Cash	277,994
Trade and other creditors	(1,911,272)
Accruals and deferred income	(902,284)
Intercompany balances	(2,156,384)
Corporation and deferred tax creditors	(79,403)
Net liabilities at date of transfer	<u>(2,211,505)</u>
Balance to be transferred to merger reserve	9,653,505
Consideration	<u>7,442,000</u>

Babble Cloud Limited

Notes to the Financial Statements For the Year Ended 30 November 2019

19. Business combinations (continued)

The transaction has been accounted for as a group reconstruction, in line with FRS 102 and therefore the value of the consideration over the book value of net assets and liabilities acquired has been recorded in the merger reserve.

Babble Cloud (IT) Limited, Babble Cloud (TIC) Limited and Direct Response Limited

On 1 July 2019 the assets and liabilities of fellow group companies Babble Cloud (IT) Limited, Babble Cloud (TIC) Limited and Direct Response Limited were transferred to Babble Cloud Limited via the intercompany account. The shares in Babble Cloud (IT) Limited were directly owned by Babble Cloud Limited. The shares in Babble Cloud (AT) Limited were owned by fellow group company Babble Cloud (ACG) Limited. The shares in Direct Response Plus Limited were owned by Babble Cloud Holdings Limited, the ultimate parent company.

No other consideration was paid by Babble Cloud Limited.

The value of the assets and liabilities transferred for Babble Cloud (IT) Limited, Babble Cloud (TIC) Limited and Direct Response Plus Limited are not material to the users of the financial statements.

19. 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.

Key management personnel are considered to be the directors. The directors have taken advantage of the small companies exemptions not to disclose their remuneration in these financial statements.

20. Ultimate controlling party

At the date of sign off, the company's immediate and ultimate parent undertaking was Babble Cloud Holdings Limited. In the opinion of the directors, there is no ultimate controlling party.

21. Post statement of financial position events

On 31 January 2020, the World Health Organisation declared a global pandemic due to the COVID-19 virus that has spread across the globe, causing different governments and countries to enforce restrictions on people movements, a stop to international travel, and other precautionary measures. This has had a widespread impact economically and a number of industries have been heavily impacted. This has resulted in supply chain impacts or for certain industries, uncertainty over cash collection from customers, and a more general need to consider whether budgets and targets previously set are realistic in light of these events. Management have considered the impact on the valuation on current assets and deem it to be immaterial. The pandemic is a non-adjusting post statement of financial position event for the year ended 30 November 2019.