

IOVOX LIMITED

FINANCIAL STATEMENTS

INFORMATION FOR FILING WITH THE REGISTRAR

FOR THE YEAR ENDED 31 DECEMBER 2019

IOVOX LIMITED
REGISTERED NUMBER: 06057954

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2019

| | Note | 2019 £ | 2018 £ |
|---|------|-------------------------|-------------------------|
| Fixed assets | | | |
| Intangible assets | 5 | 1,877,737 | 2,053,915 |
| Tangible assets | 6 | 64,038 | 85,598 |
| | | <u>1,941,775</u> | <u>2,139,513</u> |
| Current assets | | | |
| Debtors: amounts falling due within one year | 8 | 1,536,748 | 1,739,148 |
| Cash at bank and in hand | 9 | 274,036 | 2,004,967 |
| | | <u>1,810,784</u> | <u>3,744,115</u> |
| Creditors: amounts falling due within one year | 10 | (1,824,299) | (2,405,329) |
| Net current (liabilities)/assets | | <u>(13,515)</u> | <u>1,338,786</u> |
| Total assets less current liabilities | | <u>1,928,260</u> | <u>3,478,299</u> |
| Creditors: amounts falling due after more than one year | 11 | (562,023) | (1,355,209) |
| Net assets | | <u><u>1,366,237</u></u> | <u><u>2,123,090</u></u> |
| Capital and reserves | | | |
| Called up share capital | 13 | 2,790 | 2,754 |
| Share premium account | 14 | 15,306,943 | 15,119,662 |
| Foreign exchange reserve | 14 | (4,355) | (131,171) |
| Other reserves | 14 | 284,132 | 284,086 |
| Profit and loss account | 14 | (14,223,273) | (13,152,241) |
| | | <u><u>1,366,237</u></u> | <u><u>2,123,090</u></u> |

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the consolidated statement of comprehensive income in accordance with provisions applicable to companies

subject to the small companies' regime.

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

Ryan Gallagher
Director

Belinda Gallagher
Director

Date: 21 December 2020

The notes on pages 7 to 22 form part of these financial statements.

IOVOX LIMITED
REGISTERED NUMBER: 06057954

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2019

| | Note | 2019 £ | 2018 £ |
|---|------|-------------------------|-------------------------|
| Fixed assets | | | |
| Tangible assets | 6 | 30,095 | 31,796 |
| Investments | 7 | 2,686,244 | 2,686,244 |
| | | <u>2,716,339</u> | <u>2,718,040</u> |
| Current assets | | | |
| Debtors: amounts falling due within one year | 8 | 981,363 | 1,132,775 |
| Cash at bank and in hand | 9 | 81,104 | 1,610,314 |
| | | <u>1,062,467</u> | <u>2,743,089</u> |
| Creditors: amounts falling due within one year | 10 | (1,974,056) | (1,964,299) |
| Net current (liabilities)/assets | | <u>(911,589)</u> | <u>778,790</u> |
| Total assets less current liabilities | | 1,804,750 | 3,496,830 |
| Creditors: amounts falling due after more than one year | 11 | (562,023) | (1,355,209) |
| Net assets | | <u><u>1,242,727</u></u> | <u><u>2,141,621</u></u> |
| Capital and reserves | | | |
| Called up share capital | 13 | 2,790 | 2,754 |
| Share premium account | 14 | 15,306,943 | 15,119,662 |
| Other reserves | 14 | 284,132 | 284,086 |
| Profit and loss account | | (14,351,138) | (13,264,881) |
| | | <u><u>1,242,727</u></u> | <u><u>2,141,621</u></u> |

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

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the consolidated statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

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

Ryan Gallagher
Director

Belinda Gallagher
Director

Date: 21 December 2020

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IOVOX LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

| | Called up share capital | Share premium account | Foreign exchange reserve | Other reserves | Profit and loss account | Total equity |
|--|----------------------------|--------------------------|--------------------------------|----------------|----------------------------|------------------|
| | £ | £ | £ | £ | £ | £ |
| At 1 January 2019 | 2,754 | 15,119,662 | (131,171) | 284,086 | (13,152,241) | 2,123,090 |
| Comprehensive income for the year | | | | | | |
| Loss for the year | - | - | - | - | (1,071,032) | (1,071,032) |
| Movement in foreign exchange | - | - | 126,816 | - | - | 126,816 |
| Other movements | - | - | - | (32,214) | - | (32,214) |
| Total comprehensive income for the year | - | - | 126,816 | (32,214) | (1,071,032) | (976,430) |
| Shares issued during the year | 36 | 187,281 | - | - | - | 187,317 |
| Movement in share based payments | - | - | - | 32,260 | - | 32,260 |
| At 31 December 2019 | <u>2,790</u> | <u>15,306,943</u> | <u>(4,355)</u> | <u>284,132</u> | <u>(14,223,273)</u> | <u>1,366,237</u> |

The notes on pages 7 to 22 form part of these financial statements.

IOVOX LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

| | Called up share capital | Share premium account | Foreign exchange reserve | Other reserves | Profit and loss account | Total equity |
|--|----------------------------|--------------------------|--------------------------------|----------------|----------------------------|------------------|
| | £ | £ | £ | £ | £ | £ |
| At 1 January 2018 | 2,492 | 10,804,430 | 138,084 | 340,238 | (11,675,819) | (390,575) |
| Comprehensive income for the year | | | | | | |
| Loss for the year | - | - | - | - | (1,563,999) | (1,563,999) |
| Movement in foreign exchange | - | - | (269,255) | - | - | (269,255) |
| Other movements | - | - | - | 4,517 | - | 4,517 |
| Total comprehensive income for the year | - | - | (269,255) | 4,517 | (1,563,999) | (1,828,737) |
| Shares issued during the year | 262 | 4,315,232 | - | - | - | 4,315,494 |
| Transfer to/from profit and loss account | - | - | - | - | 87,577 | 87,577 |
| Transfer between other reserves | - | - | - | (87,577) | - | (87,577) |
| Movement in share based payments | - | - | - | 26,908 | - | 26,908 |
| Total transactions with owners | 262 | 4,315,232 | - | (60,669) | 87,577 | 4,342,402 |
| At 31 December 2018 | <u>2,754</u> | <u>15,119,662</u> | <u>(131,171)</u> | <u>284,086</u> | <u>(13,152,241)</u> | <u>2,123,090</u> |

The notes on pages 7 to 22 form part of these financial statements.

IOVOX LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

| | Called up share capital | Share premium account | Other reserves | Profit and loss account | Total equity |
|---|----------------------------|--------------------------|-----------------|----------------------------|--------------------|
| | £ | £ | £ | £ | £ |
| At 1 January 2019 | 2,754 | 15,119,662 | 284,086 | (13,264,881) | 2,141,621 |
| Comprehensive income for the year | | | | | |
| Loss for the year | - | - | - | (1,086,257) | (1,086,257) |
| Unallocated shares | - | - | (32,214) | - | (32,214) |
| Total comprehensive income for the year | <u>-</u> | <u>-</u> | <u>(32,214)</u> | <u>(1,086,257)</u> | <u>(1,118,471)</u> |
| Contributions by and distributions to owners | | | | | |
| Shares issued during the year | 36 | 187,281 | - | - | 187,317 |
| Movement in share based payments | - | - | 32,260 | - | 32,260 |
| At 31 December 2019 | <u>2,790</u> | <u>15,306,943</u> | <u>284,132</u> | <u>(14,351,138)</u> | <u>1,242,727</u> |

IOVOX LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

| | Called up share capital | Share premium account | Other reserves | Profit and loss account | Total equity |
|---|----------------------------|--------------------------|-----------------------|----------------------------|-------------------------|
| | £ | £ | £ | £ | £ |
| At 1 January 2018 | 2,492 | 10,804,430 | 340,238 | (10,972,071) | 175,089 |
| Comprehensive income for the year | | | | | |
| Loss for the year | - | - | - | (2,380,387) | (2,380,387) |
| Unallocated shares | - | - | 4,517 | - | 4,517 |
| Total comprehensive income for the year | <u>-</u> | <u>-</u> | <u>4,517</u> | <u>(2,380,387)</u> | <u>(2,375,870)</u> |
| Contributions by and distributions to owners | | | | | |
| Shares issued during the year | 262 | 4,315,232 | - | - | 4,315,494 |
| Transfer to/from profit and loss account | - | - | - | 87,577 | 87,577 |
| Transfer between other reserves | - | - | (87,577) | - | (87,577) |
| Movement in share based payments | - | - | 26,908 | - | 26,908 |
| Total transactions with owners | <u>262</u> | <u>4,315,232</u> | <u>(60,669)</u> | <u>87,577</u> | <u>4,342,402</u> |
| At 31 December 2018 | <u><u>2,754</u></u> | <u><u>15,119,662</u></u> | <u><u>284,086</u></u> | <u><u>(13,264,881)</u></u> | <u><u>2,141,621</u></u> |

IOVOX LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. General information

IOVOX Limited (the 'Company') is a private company limited by shares incorporated under the number 06057954 in England and Wales, United Kingdom.

The address of the registered office is 4-6 Canfield Place, London, NW6 3BT. The address of the place of business is 99C Talbot Road, Notting Hill, London W11 2AT. The nature of the Company's operations and principal activities are that of the provision of telecom and marketing services.

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 FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

IOVOX LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.3 Going concern

During the year ended 31 December 2019, the Group was focused on the integration of its December 2018 acquisition of France-based WannaSpeak. The activities in connection with the integration resulted in the addition of new customers and continued progress towards operating profitability for the group.

At the year end the company had net assets of £1,366,237 and net current liabilities of £13,515. The consolidated loss for the year has reduced from £1,563,999 to £1,071,032 and the group was forecast to become profitable during year ended 31 December 2020.

Exiting 2019, Management had been tracking COVID-19. Given the information available at 31 December 2019, the visibility on the potential implications of COVID on the business was limited at best. As the situation evolved throughout the first quarter, Management took actions to mitigate short, and long term, risk to the company which included contingency planning, restructuring debt, seeking additional liquidity through cost reductions and new investment.

While the Group did experience a decline in short term revenue due to COVID, on a year to date basis, the Group has been EBITDA positive.

In addition to the improved operating results, the Group successfully restructured its debt obligations and secured access to up to £2M in additional liquidity from its primary investor, the first £1M of which completed in November 2020. The second £1m, although pre-contracted, is subject to final approval by the investors before being released.

For the year ended 31 December 2021, Management has also prepared multiple scenarios. Based on these detailed plans, even in a worst-case scenario the Group could continue to operate within existing cash-flow and shareholder pre-approved facilities for at least 12 months from approval of the financial statements. This is supported by the fact that Management has historically demonstrated an ability to rapidly adjust the Company's operating expense levels if required.

However, the margin of facilities over worst-case forecast requirements is not large and given the pandemic and economic uncertainties prevailing at the current time there can be no certainties.

The directors have therefore prepared the financial statements on the going concern basis and they do not include any adjustments that would be required had the going concern basis not been deemed appropriate.

IOVOX LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

Other 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.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The amortisation rate of Goodwill is 10 years.

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.

IOVOX LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.6 Tangible fixed assets (continued)

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:

| | |
|------------------------------|--------------------------------|
| Long-term leasehold property | - Over the period of the lease |
| Fixtures and fittings | - 25% straight line |
| Office equipment | - 25% straight line |
| Computer equipment | - 25% straight line |

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 Debtors

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

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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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 Consolidated Statement of Comprehensive Income.

IOVOX LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.11 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.

2.12 Foreign currency translation

Functional and presentation currency

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

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.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.13 Finance costs

All borrowing costs are recognised in the Statement of Income and Retained Earnings in the year in which they are incurred.

2.14 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Income and Retained Earnings over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance Sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme). Further detail is included in note 16.

Share options granted prior to 1 January 2016 have not been recognised in accordance with FRS 102 35.10(b).

IOVOX LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.15 Operating leases

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

2.16 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.17 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

2.18 Taxation

Tax is recognised in the Consolidated 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 balance sheet date in the countries where the Company and the Group operate and generate income.

2.19 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

IOVOX LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**3. Judgments in applying accounting policies and key sources of estimation uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The directors make estimates and assumptions concerning the future based on their knowledge of the business and the markets it operates in. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results.

4. Employees

The average monthly number of employees, including directors, during the year was 34 (2018 - 35).

5. Intangible assets**Group**

| | Goodwill |
|-------------------------------------|-------------------------|
| | £ |
| Cost | |
| At 1 January 2019 | 2,053,915 |
| Additions | 23,476 |
| At 31 December 2019 | <u>2,077,391</u> |
| Amortisation | |
| Charge for the year on owned assets | 199,654 |
| At 31 December 2019 | <u>199,654</u> |
| Net book value | |
| At 31 December 2019 | <u><u>1,877,737</u></u> |
| At 31 December 2018 | <u><u>2,053,915</u></u> |

IOVOX LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

6. Tangible fixed assets

Group

| | Long-term leasehold property | Fixtures and fittings | Office equipment | Computer equipment | Total |
|-------------------------------------|------------------------------------|--------------------------|------------------|-----------------------|----------------|
| | £ | £ | £ | £ | £ |
| Cost | | | | | |
| At 1 January 2019 | 9,783 | 15,124 | 17,956 | 181,017 | 223,880 |
| Additions | 4,609 | 5,729 | 53 | 23,561 | 33,952 |
| Disposals | - | (1,518) | (6,665) | (4,595) | (12,778) |
| Exchange adjustments | (192) | (848) | (384) | (3,604) | (5,028) |
| At 31 December 2019 | <u>14,200</u> | <u>18,487</u> | <u>10,960</u> | <u>196,379</u> | <u>240,026</u> |
| Depreciation | | | | | |
| At 1 January 2019 | 4,047 | 5,187 | 6,737 | 122,311 | 138,282 |
| Charge for the year on owned assets | 563 | 3,036 | 2,393 | 36,207 | 42,199 |
| Disposals | 1,709 | (714) | (2,982) | (2,052) | (4,039) |
| Exchange adjustments | (132) | (243) | (776) | 697 | (454) |
| At 31 December 2019 | <u>6,187</u> | <u>7,266</u> | <u>5,372</u> | <u>157,163</u> | <u>175,988</u> |
| Net book value | | | | | |
| At 31 December 2019 | <u>8,013</u> | <u>11,221</u> | <u>5,588</u> | <u>39,216</u> | <u>64,038</u> |
| At 31 December 2018 | <u>5,736</u> | <u>9,937</u> | <u>11,219</u> | <u>58,706</u> | <u>85,598</u> |

IOVOX LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

6. Tangible fixed assets (continued)

Company

| | Long-term leasehold property | Fixtures and fittings | Office equipment | Computer equipment | Total |
|-------------------------------------|------------------------------------|--------------------------|------------------|-----------------------|---------------|
| | £ | £ | £ | £ | £ |
| Cost | | | | | |
| At 1 January 2019 | 5,200 | 3,092 | 1,884 | 61,533 | 71,709 |
| Additions | 4,609 | 2,597 | 53 | 8,025 | 15,284 |
| Disposals | - | (124) | (592) | (1,241) | (1,957) |
| At 31 December 2019 | <u>9,809</u> | <u>5,565</u> | <u>1,345</u> | <u>68,317</u> | <u>85,036</u> |
| Depreciation | | | | | |
| At 1 January 2019 | 87 | 1,282 | 1,060 | 37,484 | 39,913 |
| Charge for the year on owned assets | - | 1,106 | 372 | 13,799 | 15,277 |
| Disposals | 1,709 | (124) | (593) | (1,241) | (249) |
| At 31 December 2019 | <u>1,796</u> | <u>2,264</u> | <u>839</u> | <u>50,042</u> | <u>54,941</u> |
| Net book value | | | | | |
| At 31 December 2019 | <u>8,013</u> | <u>3,301</u> | <u>506</u> | <u>18,275</u> | <u>30,095</u> |
| At 31 December 2018 | <u>5,113</u> | <u>1,810</u> | <u>824</u> | <u>24,049</u> | <u>31,796</u> |

IOVOX LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

7. Fixed asset investments

Company

Investments in
subsidiary
companies
£

Cost or valuation

At 1 January 2019

2,686,244

At 31 December 2019

2,686,244

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

| Name | Class of shares | Holding |
|-----------------------------|-----------------|---------|
| IOVOX Inc | Ordinary | 100% |
| IOVOX Australia PTY Limited | Ordinary | 100% |
| Wannaspeak | Ordinary | 100% |

IOVOX Inc is incorporated in the USA, its registered office is 2711 Centerville Road, Suite 400, City of Wilmington, County of New Castle, 19808

IOVOX Australia PTY Limited is incorporated in Australia, its registered office is 4 Bellambi Place, Glenning Vale, NSW 2261.

Wannaspeak is incorporated in France, its registered office is 19 Villa Croix Nivert 75015, Paris.

IOVOX LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

8. Debtors

| | Group 2019 £ | Group 2018 £ | Company 2019 £ | Company 2018 £ |
|------------------------------------|--------------------|--------------------|----------------------|----------------------|
| Trade debtors | 669,785 | 723,848 | 357,182 | 367,105 |
| Amounts owed by group undertakings | - | - | 29,407 | - |
| Other debtors | 218,522 | 223,721 | 190,557 | 189,227 |
| Prepayments and accrued income | 126,483 | 297,604 | 90,336 | 109,553 |
| Tax recoverable | 521,958 | 493,975 | 313,881 | 466,890 |
| | <u>1,536,748</u> | <u>1,739,148</u> | <u>981,363</u> | <u>1,132,775</u> |

9. Cash and cash equivalents

| | Group 2019 £ | Group 2018 £ | Company 2019 £ | Company 2018 £ |
|--------------------------|--------------------|--------------------|----------------------|----------------------|
| Cash at bank and in hand | <u>274,036</u> | <u>2,004,967</u> | <u>81,104</u> | <u>1,610,314</u> |

10. Creditors: Amounts falling due within one year

| | Group 2019 £ | Group 2018 £ | Company 2019 £ | Company 2018 £ |
|------------------------------------|--------------------|--------------------|----------------------|----------------------|
| Bank loans | 497,533 | 440,444 | 497,533 | 440,444 |
| Trade creditors | 232,157 | 427,517 | 175,160 | 236,539 |
| Amounts owed to group undertakings | - | - | 510,643 | 39,808 |
| Other taxation and social security | 258,259 | 138,024 | 177,126 | 75,870 |
| Other creditors | 549,038 | 1,092,798 | 483,378 | 1,015,988 |
| Accruals and deferred income | 287,312 | 306,546 | 130,216 | 155,650 |
| | <u>1,824,299</u> | <u>2,405,329</u> | <u>1,974,056</u> | <u>1,964,299</u> |

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

| Group | Group | Company | Company |
|-------|-------|---------|---------|
|-------|-------|---------|---------|

| | 2019 | 2018 | 2019 | 2018 |
|------------|----------------|------------------|----------------|------------------|
| | £ | £ | £ | £ |
| Bank loans | <u>562,023</u> | <u>1,355,209</u> | <u>562,023</u> | <u>1,355,209</u> |

IOVOX LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

12. Loans

| | Group 2019 £ | Group 2018 £ | Company 2019 £ | Company 2018 £ |
|--|--------------------|--------------------|----------------------|----------------------|
| Amounts falling due within one year | | | | |
| Bank loans | 497,533 | 440,444 | 497,533 | 440,444 |
| Amounts falling due 2-5 years | | | | |
| Bank loans | 562,023 | 1,355,209 | 562,023 | 1,355,209 |
| | <u>1,059,556</u> | <u>1,795,653</u> | <u>1,059,556</u> | <u>1,795,653</u> |

Secured loans

Details of the security over the bank loan is disclosed within the contingent liabilities note 18.

13. Share capital

| | 2019 £ | 2018 £ |
|--|--------------|--------------|
| Allotted, called up and fully paid | | |
| 1,885,044 (2018 - 1,849,460) Ordinary shares shares of £0.0010 each | 1,885 | 1,849 |
| 644,510 (2018 - 644,510) A Ordinary shares shares of £0.0010 each | 645 | 645 |
| 1,119,844 (2018 - 1,119,800) A2 Ordinary shares shares of £0.0001 each | 112 | 112 |
| 34,610 (2018 - 34,610) B Ordinary shares shares of £0.0010 each | 35 | 35 |
| 1,131,614 (2018 - 1,131,600) A3 Ordinary shares shares of £0.0001 each | 113 | 113 |
| | <u>2,790</u> | <u>2,754</u> |

Ordinary shares have full voting and dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption. During the year 35,854 shares were allotted at a nominal value of £0.001 each. Total consideration received was £187,334.

A, A2 and A3 Ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption. During the year 6,333 shares were allotted at a nominal value of £0.0001 each. Total consideration received was £36,731.

B Ordinary shares have full dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

IOVOX LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

14. Reserves

Share premium account

The share premium account represents the premium arising on the issue of shares net of issue costs.

Foreign exchange reserve

The foreign exchange reserve represents translation differences arising from the translation of financial statements of the group's foreign entities into sterling (£).

Other reserves

Other reserves represents equity-settled schemes.

Profit and loss account

The Profit and Loss account represents cumulative profits and losses net of dividends and other adjustments.

IOVOX LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

15. Share based payments

Equity settled share based payment arrangements, in the form of share options, existed at the year end. The share options relate to ordinary shares. The exercise price on all options granted up to 1 January 2016 is £1 per share. The exercise price on all options granted after 1 January 2016 is £1.66. All shares are equity based, options granted before the transition date have not been recognised in accordance with FRS102 section 35.

The total expense recognised during the year in respect of share based payments was £32,260 (2018 - £26,908)

For options granted during 2016, one third of the options vest immediately at the date of grant. The remaining two thirds of the shares shall vest each month in 24 equal tranches whilst the option holder remains an employee. No further vesting shall take place following cessation of employment unless the Board exercises its discretion.

For options granted during 2017, the shares shall vest each month in 36 equal tranches whilst the option holder remains an employee. No further vesting shall take place following cessation of employment unless the Board exercises its discretion.

The fair value of each option award is estimated on the date of the grant by applying the Black-Scholes option pricing model and by using market data to the greatest extent possible as inputs for the model.

The assumptions used in the calculation were as follows:

| | Weighted average exercise price (pence) 2019 | Number 2019 | Weighted average exercise price (pence) 2018 | Number 2018 |
|--|--|----------------|--|----------------|
| Outstanding at the beginning of the year | 136 | 436,282 | 137 | 530,163 |
| Granted during the year | N/A | - | N/A | - |
| Share option split* | N/A | - | N/A | - |
| Exercised during the year | N/A | - | 100 | (2,596) |
| Lapsed during the year | N/A | - | 139 | (91,285) |

| | | | | |
|---|------------|----------------|------------|----------------|
| Outstanding at the end of the year | <u>136</u> | <u>436,282</u> | <u>136</u> | <u>436,282</u> |
|---|------------|----------------|------------|----------------|

*On 5 April 2017, the Company undertook a share option split. Previously the exercise price per share option was £10 per share. Each option was split on a 1:10 basis such that each share option now has an exercise price of £1.

| | | |
|--------------------------------------|--------------|--------------|
| | 2019 | 2018 |
| Weighted average share price (pence) | 580 | 580 |
| Exercise price (pence) | 166 | 166 |
| Contractual life | 10 | 10 |
| Expected volatility | 41.40% | 41.40% |
| Risk-free interest rate | <u>1.10%</u> | <u>1.10%</u> |

IOVOX LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

15. Share based payments (continued)

| | | |
|------------------------------------|---------------|---------------|
| Equity-settled share based schemes | <u>32,260</u> | <u>26,908</u> |
|------------------------------------|---------------|---------------|

16. Off balance sheet arrangements

The company granted share options in December 2010, May 2014, February 2015 and April 2015 to twenty employees which gives the option holders the right to subscribe 350,670 ordinary shares of £0.01 each in the company in total at an exercise price of £1.00 per share.

The options may be exercised following the earliest of the third anniversary of the date of grant, the death of the option holder, share capital is increased by a subscription from new investors whereby the new investors own more than 25% of the enlarged share capital, a disqualifying event as defined by the option agreements or seven days after notification to the option holder of a decision taken at the discretion of the board.

The options lapse on the earliest of the tenth anniversary of the date of grant, the first anniversary of the option holders death, immediately following the option holder ceasing to be a director or employee of the company (other than by reason of his death), a release has been effected in connection with the takeovers and liquidations rule of the option agreements, the option holder being adjudicated bankrupt or forty days after any disqualifying event as defined by the option agreements.

17. Contingent liabilities

The Company has guaranteed a bank loan available to another group company. At 31 December 2019 the total of the bank loans covered by these guarantees amounted to £1,514,175 (2018 - £2,550,953). This debt is secured by a fixed and floating charge over all the assets of the Company.

Subsequent to the year end HMRC has opened an enquiry into the research and development aspect of the company's corporation tax return. The directors and their advisors have assessed the queries raised and replied to HMRC accordingly. The directors' opinion is that the enquiry will be resolved successfully. However, there can be no certainty over this and if unsuccessful the adjustment required to the company profit after tax would be £313,000.

18. Commitments under operating leases

At 31 December 2019 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | Group 2019 £ | Group 2018 £ | Company 2019 £ | Company 2018 £ |
|--|--------------------|--------------------|----------------------|----------------------|
| Not later than 1 year | 240,166 | 246,709 | 230,000 | 230,000 |
| Later than 1 year and not later than 5 years | 697,783 | 919,000 | 689,000 | 919,000 |
| | <u>937,949</u> | <u>1,165,709</u> | <u>919,000</u> | <u>1,149,000</u> |

IOVOX LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

19. Post balance sheet events

Coronavirus Pandemic

After the year end the business was impacted by the Coronavirus pandemic. The company considers this to be a non-adjusting post balance sheet event.

Further information in respect of how the Group reacted to the pandemic is included in note 2.3.

20. Transactions with directors

During the year the company advanced £NIL (2018 - £10,083) to a director of the company and £NIL (2018 - £NIL) was repaid by the Director. The amount due at the year end was £51,266 (2018 - £51,266).

The maximum amount outstanding during the year was £51,266 (2018 - £51,266), no interest was charged by the company.

21. Auditors' information

The auditors' report on the financial statements for the year ended 31 December 2019 was unqualified.

The audit report was signed on 23 December 2020 by Darren Amott (Senior Statutory Auditor) on behalf of Price Bailey LLP.

