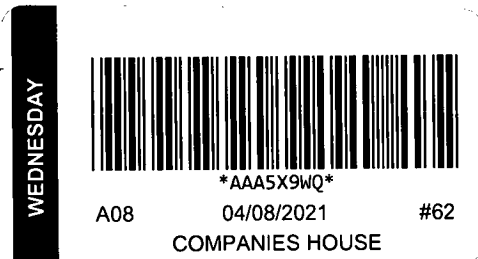


Registered number
07445564
(England and Wales)

Report of the Directors and
Consolidated Financial Statements for the year ended
31 December 2020
for
CONVERSOCIAL LIMITED



Conversocial Limited
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for the year ended 31 December 2020

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Conversocial Limited
Company Information
for the year ended 31 December 2020

Directors

J D March-Cowan
M C Hedger
S M Chapman
M C Christmann
I Hacoheh-Bornstein

Secretary

D S Lester

Registered office

3rd Floor
233 High Holborn
London
United Kingdom
WC1V 7DN

Registered number

07445564
(England and Wales)

Auditors

PKF Littlejohn LLP
15 Westferry Circus
Canary Wharf
London
E14 4HD

Conversocial Limited

Report of the Directors

The directors present their report with the audited financial statements of the company and the group for the year ended 31 December 2020.

Principal activities

The company's principal activity during the year continued to be that of social customer service software.

Directors

The following persons served as directors during the year:

J D March-Cowan
M C Hedger
S M Chapman
M C Christmann
I Hacoheh-Bornstein

Directors' liabilities

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Directors' responsibilities

The directors are responsible for preparing the report and 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 Group and Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102. The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS102). 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 Group and Parent Company and of the profit or loss of the group 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 estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

Future developments

The company expects significant growth in sales. It is implementing a number of strategies to generate this growth, including:

- further development to the company's product, making it more efficient, able to handle higher volumes of transactions and adding features to ensure they better address the needs of their software as a service
- significant expansion of go to market capabilities including internationally

Conversocial Limited
Report of the Directors (continued)

COVID-19

Impact on day to day business

Conversocial has a proven business continuity plan that was developed as part of an ISO quality review. The resulting impact assessments have been reviewed and are being implemented. The first of these has successfully seen all staff able to work from home with minimal disruption to day to day business. The operational measures put in place to plan for the possible disruption caused by Covid 19 have been executed successfully. While there is a potential risk to service if overlapping staff members simultaneously become affected by the virus and are unable to work, the Directors have undertaken a point of failure analysis of the workforce to minimise the potential risk of disruption of service should this occur.

Conversocial's business solution is provided in the cloud and so is not reliant on local hardware or their own staff to manage mission critical uptime. The use of AWS, already hosted in multiple jurisdictions and locations means that there is unlikely to be an impact on continued service to customers. Should further resilience require additional geographic locations to be implemented, then the existing infrastructure can be used to implement this subject to complying with GDPR regulations. The business continuity plan has been used to identify the risks associated with all cloud provided mission critical services that are used internally and for service delivery to clients and alternative providers identified. The automated response element now being offered as an additional service to customers means that customers are able to continue to provide the service to their customers even if their staffing is affected. This also provides significant sales opportunity should customers seek to reduce staffing costs.

Sales contracts are contracted and paid for 12 months in advance, cannot be terminated on a monthly basis and are non-refundable. The company has carried out a review of the upcoming contract renewals both by size and sales channel sector. Conversocial sells into multiple channels and therefore where one channel may be affected adversely, others are seeing an immediate benefit as individuals change their spending patterns in response to the outbreak and the restrictions of movement placed on them by governments. Conversocial have seen an increase in inbound sales enquiries as a result of the Covid 19 crisis and the ability to sell and implement solutions remotely means that these sales leads can be closed.

Going concern

The Directors have reviewed all sales contracts that are due for renewal in the next six months to consider the likely impact of client cancellations on cashflow of the Covid-19 crisis. The outcome of this has been modelled and cashflow impact considered. The Directors are of the opinion that the financing already available to them, together with the increase in sales activity and the potential scope for cost cutting should growth not continue, mean the company has sufficient resources available to it for at least the next twelve months. The continued focus on R&D and the integration and further development of the autonomous module increases the ability of Conversocial to make additional sales to existing customers and new sales to customers who wish to reduce costs as a result of the economic downturn.

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

Auditor

The auditor, PKF Littlejohn LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

This report was approved by the board on 29 July 2021 and signed on its behalf



I Hacothen-Bornstein
Director

Conversocial Limited
Report of the Independent Auditors
to the members of Conversocial Limited

Opinion

We have audited the financial statements of Conversocial Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the Consolidated Income Statement, the Consolidated Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion the financial statements:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's and parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of 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 group and parent 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

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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.

Conversocial Limited
Report of the Independent Auditors
to the members of Conversocial Limited (continued)

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the group and parent company 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 group and parent company financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research, application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from Companies Act 2006.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
 - enquiries of management, review of minutes, review of legal / regulatory correspondence.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Conversocial Limited
Report of the Independent Auditors
to the members of Conversocial Limited (continued)

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.

Eric Hindson

Eric Hindson
(Senior Statutory Auditor)
for and on behalf of
PKF Littlejohn LLP

15 Westferry Circus
Canary Wharf
London
E14 4HD

07 / 30 / 2021

Conversocial Limited
Consolidated Income Statement
for the year ended 31 December 2020

	Notes	2020 £	2019 £
Turnover		11,814,174	10,908,594
Cost of sales		(1,768,319)	(1,379,693)
Gross profit		10,045,855	9,528,901
Administrative expenses		(11,384,016)	(12,436,861)
Profit on sale of fixed assets		247	6
Goodwill impairment		(5,479,078)	
Operating loss		<u>(6,816,992)</u>	<u>(2,907,954)</u>
Interest receivable and similar income		1,899	9,050
Interest payable and similar expenses		(55,670)	(180,379)
Loss on ordinary activities before taxation		<u>(6,870,763)</u>	<u>(3,079,283)</u>
Tax on loss on ordinary activities	13	121,204	489,477
Loss for the financial year		<u>(6,749,559)</u>	<u>(2,589,806)</u>
Loss attributable to:			
Owners of the parent		<u>(6,749,559)</u>	<u>(2,589,806)</u>

Conversocial Limited
Consolidated Other Comprehensive Income
for the year ended 31 December 2020

	Notes	2020 £	2019 £
Loss for the financial year		(6,749,559)	(2,589,806)
Other comprehensive income			
Exchange (loss) on translation of foreign operations		(1,137,126)	(474,827)
Total comprehensive income for the year		<u>(7,886,685)</u>	<u>(3,064,633)</u>
Total comprehensive income attributable to:			
Owners of the parent		<u>(7,886,685)</u>	<u>(3,064,633)</u>

Conversocial Limited
Consolidated Statement of Financial Position
as at 31 December 2020

	Notes	2020 £	2019 £
Fixed assets			
Intangible assets	6	-	5,424,112
Tangible assets	7	52,659	81,051
		52,659	5,505,163
Current assets			
Debtors	9	2,811,876	2,492,947
Cash at bank and in hand		<u>2,492,074</u>	<u>2,967,956</u>
		5,303,950	5,460,903
Creditors: amounts falling due within one year	10	<u>(6,985,775)</u>	<u>(6,767,971)</u>
Net current liabilities		(1,681,825)	(1,307,068)
Total assets less current liabilities		(1,629,166)	4,198,095
Creditors: amounts falling due after more than one year	11	<u>(365,949)</u>	<u>(209,765)</u>
Net (liabilities)/assets		<u>(1,995,115)</u>	<u>3,988,330</u>
Capital and reserves			
Called up share capital	14	109,332	109,303
Share premium		23,971,027	23,969,488
Foreign exchange reserve		683,011	(884,107)
Share option reserve		987,542	652,988
Retained earnings		<u>(27,746,027)</u>	<u>(19,859,342)</u>
Shareholders' funds		<u>(1,995,115)</u>	<u>3,988,330</u>

The financial statements have been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

The financial statements were approved by the Board of Directors on 29 July 2021 and were signed on its behalf by:



I Hacohen-Bornstein
 Director

Conversocial Limited
Company Statement of Financial Position
as at 31 December 2020

	Notes	2020 £	2019 £
Fixed assets			
Investments	8	<u>33,951</u>	<u>5,512,541</u>
		33,951	5,512,541
Current assets			
Debtors	9	19,492,221	20,724,979
		19,492,221	20,724,979
Creditors: amounts falling due within one year	10	(128,405)	(779,769)
Net current assets		<u>19,363,816</u>	<u>19,945,210</u>
Total assets less current liabilities		<u>19,397,767</u>	<u>25,457,751</u>
Creditors: amounts falling due after more than one year	11	-	(250,779)
Net assets		<u>19,397,767</u>	<u>25,206,972</u>
Capital and reserves			
Called up share capital	14	109,332	109,303
Share premium		23,971,027	23,969,489
Share option reserve		987,542	652,988
Retained earnings		(5,670,134)	475,192
Shareholders' funds		<u>19,397,767</u>	<u>25,206,972</u>
Company's profit (loss) for the financial year		(6,145,326)	174,851

The financial statements have been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

The company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the parent company profit and loss account

The financial statements were approved by the Board of Directors on 29 July 2021 and were signed on its behalf by:



I Hacohen-Bornstein
 Director

Conversocial Limited
Consolidated Statement of Changes in Equity
for the year ended 31 December 2020

	Share capital	Retained earnings	Share premium	Foreign Exchange reserves	Share Option reserves	Total
	£	£	£	£	£	£
At 1 January 2019	93,788	(16,794,709)	14,570,001	(1,421,156)	499,095	(3,052,981)
Loss for the financial year	-	(2,589,806)	-	-	-	(2,589,806)
Other comprehensive income for the financial year	-	(474,827)	-	-	153,893	(320,934)
Total comprehensive income for the financial year	-	(3,064,633)	-	-	153,893	(2,910,740)
Changes in equity						
Issue of share capital	15,515	-	9,399,487	-	-	9,415,002
Other movements on Reserves	-	-	-	537,049	-	537,049
At 31 December 2019	109,303	(19,859,342)	23,969,488	(884,107)	652,988	3,988,330
At 1 January 2020	109,303	(19,859,342)	23,969,488	(884,107)	652,988	3,988,330
Loss for the financial year	-	(6,749,559)	-	-	-	(6,749,559)
Other comprehensive income for the financial year	-	(1,137,126)	-	-	334,554	(802,572)
Total comprehensive income for the financial year	-	(7,886,685)	-	-	334,554	(7,552,131)
Changes in equity						
Issue of share capital	29	-	1,539	-	-	1,568
Other movements on Reserves	-	-	-	1,567,118	-	1,567,118
At 31 December 2020	109,332	(27,746,027)	23,971,027	683,011	987,542	(1,995,115)

Conversocial Limited
Company Statement of Changes in Equity
for the year ended 31 December 2020

	Share capital	Retained earnings	Share premium	Share Option reserves	Total
	£	£	£	£	£
At 1 January 2019	93,788	300,341	14,570,002	499,095	15,463,226
Profit for the financial year		174,851			174,851
Other comprehensive income for the financial year	-	-	-	153,893	153,893
Total comprehensive income for the financial year	-	174,851	-	153,893	328,744
Changes in equity					
Issue of share capital	15,515	-	9,399,487	-	9,415,002
At 31 December 2019	109,303	475,192	23,969,489	652,988	25,206,972
At 1 January 2020	109,303	475,192	23,969,489	652,988	25,206,972
Loss for the financial year		(6,145,326)			(6,145,326)
Other comprehensive income for the financial year	-	-	-	334,554	334,554
Total comprehensive income for the financial year	-	(6,145,326)	-	334,554	(5,810,772)
Changes in equity					
Issue of share capital	29	-	1,538	-	1,567
At 31 December 2020	109,332	(5,670,134)	23,971,027	987,542	19,397,767

Conversocial Limited
Consolidated Statement of Cash Flows
for the year ended 31 December 2020

	Notes	2020 £	2019 £
Operating activities			
Loss for the financial year		(6,749,559)	(2,589,806)
Adjustments for:			
Profit on sale of fixed assets		(247)	(6)
Interest receivable		(1,899)	(9,050)
Interest payable		55,670	180,379
Tax on profit on ordinary activities		121,204	489,477
Depreciation		43,072	46,649
Share option costs		334,554	153,893
Amortisation of goodwill		5,479,078	466,092
(Increase)/decrease in debtors		(318,929)	450,676
Increase/(decrease) in creditors		330,654	(1,571,294)
		<u>(706,402)</u>	<u>(2,382,990)</u>
Interest received		1,899	9,050
Interest paid		(55,670)	(180,379)
Corporation tax paid		297,740	-
		<u>(462,433)</u>	<u>(2,554,319)</u>
Investing activities			
Payments to acquire intangible fixed assets		-	(5,012,986)
Payments to acquire tangible fixed assets		(15,264)	(63,129)
Payments to acquire investments		-	(1,055,316)
Proceeds from sale of tangible fixed assets		247	908
		<u>(15,017)</u>	<u>(6,130,523)</u>
Financing activities			
Proceeds from the issue of shares		1,568	9,415,002
		<u>1,568</u>	<u>9,415,002</u>
Net cash (used)/generated			
Cash used in operating activities		(462,433)	(2,554,319)
Cash used in investing activities		(15,017)	(6,130,523)
Cash generated by financing activities		1,568	9,415,002
		<u>(475,882)</u>	<u>730,160</u>
Opening cash and cash equivalents		2,967,956	2,237,796
Closing cash and cash equivalents		<u>2,492,074</u>	<u>2,967,956</u>
Cash and cash equivalents comprise:			
Cash at bank		2,492,074	2,967,956
		<u>2,492,074</u>	<u>2,967,956</u>

Conversocial Limited
Notes to the Consolidated Financial Statements
for the year ended 31 December 2020

1 Statutory Information

Conversocial Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2 Statement of Compliance

These group and individual financial statements have been prepared in accordance with the provisions of Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland and the Companies Act 2006.

3 Accounting Policies

Basis of preparation

The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The parent company Conversocial Limited, together with its subsidiaries, Conversocial Inc. and Conversocial UK Limited form a group. The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings together with the Group's share of the results of associates made up to 31 December 2020.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies when preparing the consolidated financial statements.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the Group's interest in the entity.

The cost of a business combination is the fair value at the acquisition date of the assets given and liabilities incurred or assumed, plus directly attributable costs. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

Significant judgements and estimates

An assessment is made at each reporting date of whether there are indications that an intangible asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the company estimates the recoverable amount of the asset.

Deferred income is recognised based on the period of the contract at the balance sheet date. The estimated carrying value of the deferred income reflects the unexpired portion of the contract period.

Foreign currency

(i) Functional and presentational currency

The Group financial statements are presented in pound sterling.

This differs from the functional currency of the subsidiary Conversocial Inc which is USD.

(ii) Transactions and balances

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

Conversocial Limited
Notes to the Consolidated Financial Statements
for the year ended 31 December 2020 (continued)

At each reporting 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 the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated profit and loss account.

The trading results of Group undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in 'Other comprehensive income' and allocated to non-controlling interest as appropriate.

Research and development policy

Expenditure on research and development is written off in the year in which it is incurred.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

The balance sheet is credited with the value of invoiced sales, as deferred income, which is then amortised to revenue over the period of the contract. At the balance sheet date, the carrying value of deferred income reflects the total value of invoiced sales which has not yet been recognised as revenue.

Employee benefits

Share-based payments

The Group provides share-based payment arrangements to certain employees.

Equity-settled arrangements are measured at fair value (excluding the effect on non-market based vesting conditions) at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest.

Where equity-settled arrangements are modified, and are of benefit to the employee, the incremental fair value is recognised over the period from the date of modification to date of vesting. Where a modification is not beneficial to the employee there is no change to the charge for share-based payment. Settlements and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the income statement.

Conversocial Limited
Notes to the Consolidated Financial Statements
for the year ended 31 December 2020 (continued)

Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Intangible assets are only recognised separately from goodwill where they are separable and arise from contractual or other legal rights.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units ('CGU's') that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life which is estimated to be ten years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. No reversals of impairment are recognised.

Goodwill on acquisition was reviewed at the end of the year, and has been subject to full impairment as a result of the review.

Intangible assets

Intellectual property is initially measured at cost. After initial recognition, intellectual property is measured at cost less any accumulated amortisation and any accumulated impairment losses.

The assets are reviewed for impairment if there are factors indicating that the carrying amount may be impaired.

Tangible fixed assets

Tangible assets are stated at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Improvements to property	over the remaining lease period
Fixtures and fittings	33.33% and 20% on straight line
Office equipment	20% on straight line
Computer equipment	20% and 33.33% on straight line

Investments in subsidiaries

Investments in subsidiary undertakings are recognised at cost.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Conversocial Limited
Notes to the Consolidated Financial Statements
for the year ended 31 December 2020 (continued)

Financial instruments

The Group has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances and investments in commercial paper are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans, loans from fellow Group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Conversocial Limited
Notes to the Consolidated Financial Statements
for the year ended 31 December 2020 (continued)

Taxation

Taxation for the year comprises current tax. Tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Hire purchases and leasing commitments

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Pension costs and other post-retirement benefits

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to profit or loss in the period to which they relate.

COVID-19

Impact on day to day business

Conversocial has a proven business continuity plan that was developed as part of an ISO quality review. The resulting impact assessments have been reviewed and are being implemented. The first of these has successfully seen all staff able to work from home with minimal disruption to day to day business. The operational measures put in place to plan for the possible disruption caused by Covid 19 have been executed successfully. While there is a potential risk to service if overlapping staff members simultaneously become affected by the virus and are unable to work, the Directors have undertaken a point of failure analysis of the workforce to minimise the potential risk of disruption of service should this occur.

Conversocial's business solution is provided in the cloud and so is not reliant on local hardware or their own staff to manage mission critical uptime. The use of AWS, already hosted in multiple jurisdictions and locations means that there is unlikely to be an impact on continued service to customers. Should further resilience require additional geographic locations to be implemented, then the existing infrastructure can be used to implement this subject to complying with GDPR regulations. The business continuity plan has been used to identify the risks associated with all cloud provided mission critical services that are used internally and for service delivery to clients and alternative providers identified. The automated response element now being offered as an additional service to customers means that customers are able to continue to provide the service to their customers even if their staffing is affected. This also provides significant sales opportunity should customers seek to reduce staffing costs.

Sales contracts are contracted and paid for 12 months in advance, cannot be terminated on a monthly basis and are non-refundable. The company has carried out a review of the upcoming contract renewals both by size and sales channel sector. Conversocial sells into multiple channels and therefore where one channel may be affected adversely, others are seeing an immediate benefit as individuals change their spending patterns in response to the outbreak and the restrictions of movement placed on them by governments. Conversocial have seen an increase in inbound sales enquiries as a result of the Covid 19 crisis and the ability to sell and implement solutions remotely means that these sales leads can be closed.

Conversocial Limited
Notes to the Consolidated Financial Statements
for the year ended 31 December 2020 (continued)

Going concern

The financial statements have been prepared on a going concern basis. The company made a loss during the year and the directors are aware that the statement of financial position shows negative net assets. However, the directors have been successful in attracting further investment during the year, there are sufficient resources available to support the company to meet its obligations, if and when, they become due. At the date of the financial statements the group has a cash at bank in hand balance of £2,492,074 which will support and contribute to the company being able to continue to trade. Included within current liabilities is an amount of £5,832,817 in relation to deferred income, these amounts will be recognised as income in future accounting periods once the contract terms have been met.

The Directors have reviewed all sales contracts that are due for renewal in the next six months to consider the likely impact of client cancellations on cashflow of the CV19 crisis. The outcome of this has been modelled and cashflow impact considered. The Directors are of the opinion that the financing already available to them, together with the increase in sales activity and the potential scope for cost cutting should growth not continue, mean the company has sufficient resources available to it for at least the next twelve months. The continued focus on R&D and the integration and further development of the autonomous module increases the ability of Conversocial to make additional sales to existing customers and new sales to customers who wish to reduce costs as a result of the economic downturn.

The directors are therefore of the opinion that they should continue to adopt the going concern basis of accounting in preparing the financial statements.

4 Employees and Directors

	2020	2019
	Number	Number
Average number of employees during the year		
Administration	8	9
Non-Administration	51	78
Management	10	8
	<u>69</u>	<u>95</u>
Directors' remuneration		
The directors aggregate		
	£	£
Emoluments	333,583	572,850
Company contributions to defined contribution pension plans	32,745	14,762
	<u>366,328</u>	<u>587,612</u>

5 Individual Income statement

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

Conversocial Limited
Notes to the Consolidated Financial Statements
for the year ended 31 December 2020 (continued)

6 Intangible fixed assets

Group	Goodwill	Total
	£	£
Cost		
At 1 January 2020	5,892,575	5,892,575
Additions	-	-
Disposals	-	-
At 31 December 2020	<u>5,892,575</u>	<u>5,892,575</u>
Amortisation		
At 1 January 2020	468,463	468,463
Impairment	5,424,112	5,424,112
On disposals	-	-
At 31 December 2020	<u>5,892,575</u>	<u>5,892,575</u>
Carrying amount		
At 31 December 2020	<u>-</u>	<u>-</u>
At 31 December 2019	<u>5,424,112</u>	<u>5,424,112</u>

7 Tangible fixed assets

Group	Office equipment <i>At cost</i> £	Computer equipment <i>At cost</i> £	Fixtures and fittings <i>At cost</i> £	Improvements to property <i>At cost</i> £	Total £
Cost or valuation					
At 1 January 2020	18,447	229,031	34,948	94,937	282,426
Additions	-	15,264	-	-	15,264
Disposals	(271)	-	(21)	-	(292)
At 31 December 2020	<u>18,176</u>	<u>244,295</u>	<u>34,927</u>	<u>94,937</u>	<u>297,398</u>
Depreciation					
At 1 January 2020	16,527	154,282	30,566	94,937	201,375
Charge for the year	755	40,014	2,303	-	43,072
On disposals	271	-	21	-	292
At 31 December 2020	<u>17,553</u>	<u>194,296</u>	<u>32,890</u>	<u>94,937</u>	<u>244,739</u>
Net Book Value					
At 31 December 2020	<u>623</u>	<u>49,999</u>	<u>2,037</u>	<u>-</u>	<u>52,659</u>
At 31 December 2019	<u>1,920</u>	<u>74,749</u>	<u>4,382</u>	<u>-</u>	<u>81,051</u>

Conversocial Limited
Notes to the Consolidated Financial Statements
for the year ended 31 December 2020 (continued)

8 Fixed asset investments

	Shares in group undertakings £
Cost	
At 1 January 2020	5,512,541
Additions	488
Revaluations	-
Disposals	(5,479,078)
At 31 December 2020	<u>33,951</u>
Net Book Value	
At 31 December 2020	<u>33,951</u>
At 31 December 2019	<u>5,512,541</u>

As at the date of the Statement of Financial Position, an impairment review of the investment in Assist MegaCorp Inc was undertaken resulting in the write off of the investment

The company's investments at the Statement of Financial Position date in the share capital of companies include the

	%
Class of shares:	Holding
Ordinary	100.00

Conversocial Inc.

	%
Class of shares:	Holding
Ordinary	100.00

Assist MegaCorp Inc.

	%
Class of shares:	Holding
Ordinary	100.00

Conversocial SRL.

	%
Class of shares:	Holding
Ordinary	100.00

9 Debtors

	Group		Company	
	31.12.2020 £	31.12.2019 £	31.12.2020 £	31.12.2019 £
Amounts falling due within one year included in:				
Trade debtors	2,096,219	1,378,504	-	-
Other debtors	715,657	612,830	-	9,722
Deferred tax asset	-	501,613	-	-
	<u>2,811,876</u>	<u>2,492,947</u>	<u>-</u>	<u>9,722</u>
Amounts falling due after more than one year included in:				
Amounts owed by group undertakings	-	-	19,492,221	20,715,257
Aggregate amounts	<u>2,811,876</u>	<u>2,492,947</u>	<u>19,492,221</u>	<u>20,724,979</u>

Conversocial Limited
Notes to the Consolidated Financial Statements
for the year ended 31 December 2020 (continued)

10 Creditors: amounts falling due within one year

	Group		Company	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	£	£	£	£
Loan amount	128,405	779,769	128,405	779,769
Trade creditors	432,624	459,143	-	-
Taxation and social security	434,898	326,430	-	-
Other creditors	157,029	150,189	-	-
Accruals and deferred income	5,832,819	5,052,440	-	-
	<u>6,985,775</u>	<u>6,767,971</u>	<u>128,405</u>	<u>779,769</u>

11 Creditors: amounts falling due after one year

	Group		Company	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	£	£	£	£
Loan amounts	365,949	209,765	-	209,765
Deferred tax liability	-	-	-	41,014
	<u>365,949</u>	<u>209,765</u>	<u>-</u>	<u>250,779</u>

12 Share-based Payment transactions

The company operates an EMI qualifying share option scheme and an unapproved scheme. As at the date of the Statement of Financial Position, the company had granted 866,735 EMI qualifying share options and 1,558,156 unapproved share options with an exercise price ranging between £0.29 and £1.09 per share. During the year, 2,861 qualifying share options were exercised, 35,910 qualifying share options and 303,163 unapproved share options vested and 193,576 qualifying share options and 50,129 unapproved options lapsed. Share options vest over 4 years from the date of grant with a 12 month cliff.

13 Taxation

	2020	2019
	£	£
Analysis of charge in the period		
Current tax:		
UK corporation tax on profits of the period	(325,076)	87,945
Adjustments in respect of previous periods	(297,741)	
	(622,817)	87,945
Deferred tax:		
Origination and reversal of timing differences	<u>501,613</u>	<u>(577,422)</u>
	501,613	(577,422)
Tax on loss on ordinary activities	<u>(121,204)</u>	<u>(489,477)</u>

Factors affecting tax charge for the period

Conversocial Limited
Notes to the Consolidated Financial Statements
for the year ended 31 December 2020 (continued)

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

	2020 £	2019 £
Loss on comprehensive income before tax	(6,870,763)	(3,079,283)
Standard rate of corporation tax in the UK	19%	19%
	£	£
Profit on ordinary activities multiplied by the standard rate of corporation tax	(1,305,445)	(585,064)
Effects of:		
Expenses not deductible for tax purposes	1,109,076	119,149
Capital allowances for period in excess of depreciation	1,513	4,400
Other timing differences	247,343	
Additional foreign tax rate	1,169	(56,722)
Other non taxable items	(118,619)	
Utilisation of tax losses	(260,113)	-
Adjustments to tax charge in respect of previous periods	(297,741)	-
Current tax charge for period	<u>(622,817)</u>	<u>87,945</u>

14 Called up Share Capital

	Group		Company	
	31.12.2020 £	31.12.2019 £	31.12.2020 £	31.12.2019 £
Share capital				
Issued and fully paid:				
Ordinary shares of £0.01 each	32,977	33,671	32,977	33,671
Series A1 shares of £0.01 each	29,764	29,764	29,764	29,764
Series A2 shares of £0.01 each	23,557	23,557	23,557	23,557
Series A3 shares of £0.01 each	20,746	20,023	20,746	20,023
Series A4 shares of £0.01 each	2,288	2,288	2,288	2,288
	<u>109,332</u>	<u>109,303</u>	<u>109,332</u>	<u>109,303</u>

15 Operating leases

Total future minimum lease payments under non-cancellable operating leases:

	2020 £	2019 £
Falling due:		
within one year	91,140	91,140
within two to five years	182,280	182,280
	<u>273,420</u>	<u>273,420</u>