

**NEW CALL TELECOM LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2016**

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## NEW CALL TELECOM LIMITED

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### COMPANY INFORMATION

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**Directors**

Dr J P Booth - Chairman  
N A Eastwood - Chief Executive Officer (resigned 31 May 2016)  
R C Jennings - Chief Finance Officer  
G R Pestell - Group Product Director (resigned 21 June 2016)  
N J Lynch-Aird

**Registered number**

07298834

**Registered office**

5 - 9 Eden Street  
Kingston Upon Thames  
Surrey  
KT1 1BQ

**Independent auditor**

Crowe Clark Whitehill LLP  
St Bride's House  
10 Salisbury Square  
London  
EC4Y 8EH

**Bankers**

National Westminster Bank Plc  
501 Silbury Boulevard  
Milton Keynes  
MK9 3ER

Barclays Bank Plc  
2 Pall Mall  
Leicester  
Leicestershire  
LE87 2BB

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**NEW CALL TELECOM LIMITED**

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## **NEW CALL TELECOM LIMITED**

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### **STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2016**

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#### **Introduction**

New Call Telecom Limited is a telecoms provider owned and managed by an experienced team of UK telecoms professionals. New Call Telecom Limited provides telecommunication services in the UK and internationally under the following retail brands:

- FUEL Broadband (home phone, line rental, broadband and complementary services);
- FUEL Business (a complete portfolio of telecommunications solutions for business);
- Planet Talk (a range of discount international calling services);
- Just Dial (a range of discount international calling services and
- Rate Buster (a range of discount international calling services).

#### **Business review**

After the business was acquired by Dr Booth and its management team in 2013 it embarked on a period of aggressive growth through customer sales acquisition aimed at achieving scale and establishing its brand in the UK market.

The results for the current and previous financial years reflect the significantly enhanced operational investment in the business, with much of the investment expenditure being charged to profit and loss account. The period of rapid growth in the business between 2014 and 2016 saw it establish as one of the fastest growing residential telecom service providers in the UK and also saw it record losses of approximately £40 million funded by its parent undertaking, New Call Telecom Holdings Limited and, ultimately, by its principal shareholder.

During 2016 the directors recognised that the business had reached a size where significant sales acquisition activities and earnings through online channels should be de-prioritised and the emphasis placed on improving the quality of the revenue base. The focus of the management team in 2016 and 2017 has been on converting the acquired customer base into a sustainable profitable business through improving margin and a changed focus from online to more selective organic routes to market.

The business has not required net new injections of funds from its shareholder since March 2016 and currently trades on a cash positive basis. The business continues to enjoy the support of its principal shareholder and network partners and the directors are confident that they can continue to develop the business in its new phase.

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## NEW CALL TELECOM LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

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#### Principal risks and uncertainties

There are a number of potential risks and uncertainties, which could have a material impact on the long-term performance of the business and could cause actual results to differ materially from expected results.

Management consider the following to be the significant risks and uncertainties attaching to the business:

#### Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Funding facilities are managed to ensure that both short-term and longer-term funding is available to provide short-term flexibility whilst providing sufficient funding to the working capital requirements of the business.

#### Credit risk

The company extends credit to customers of various durations depending on customer creditworthiness and industry custom and practice for the product or service. In the event that a customer proves unable to meet payments when they fall due, the company will suffer adverse consequences.

To manage this, the company continually monitors credit terms to ensure that no single customer is granted credit inappropriate to its credit risk. Additionally, over 90% of our customer receipts are by monthly direct debit.

The risk is further reduced by the customer base being spread across all industry and service sectors.

#### Competitor risk

The company operates in a highly competitive market with rapidly changing product and pricing innovations.

We are subject to the threat of our competitors launching new products in our markets (including updating product lines) before we make corresponding updates and development to our own product range. This could render our products and services out of date and could result in loss of market share.

To reduce this risk, we undertake new product development and maintain strong supplier relationships to ensure that we have products at various stages of the life cycle.

Competitor risk also manifests itself in price pressures which are usually experienced in more mature markets. This results not only in downward pressure on our gross margins but also in the risk that our products are not considered to represent value for money. The company therefore monitors market prices on an ongoing basis.

#### Execution and integration risks associated with acquisitions

The company has a stated strategy which includes the acquisition of businesses. The Board acknowledges that there is a risk of operational disturbance in the course of integrating acquired businesses with existing operations.

The company mitigates this risk by careful planning and rigorous due diligence.

Other risk management objectives include:

- Continued focus on broadening the product range, particularly with regard to data connectivity;
- Increasing diversification of business customers across all industries; and
- Trade suppliers and partners are all top-tier suppliers, providing confidence in the continuity and reliability of service to customers.

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**NEW CALL TELECOM LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2016**

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**Financial key performance indicators**

The directors consider that the previously stated KPI's of sales growth (%), growth in residential customer numbers and expansion of routes to market via online affiliate partners are no longer critical to the performance of the business in its consolidation phase, with focus now on margin and profitability of customer relationships. Significant steps have been made in 2016 and 2017 to establish the sustainability of the business based on these measures.

**Other key performance indicators**

The business continues to prioritise customer satisfaction and the ongoing development of its position in the UK residential telecom market through its brands FUEL Saver, which offers phone and broadband packages, and Planet Talk, Just Dial and Rate Buster, the low cost international calls services.

This report was approved by the board on 16 March 2017 and signed on its behalf.

**R C Jennings - Chief Finance Officer**  
Director



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## NEW CALL TELECOM LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2016

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The directors present their report and the financial statements for the year ended 31 March 2016.

#### Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Results and dividends

The loss for the year, after taxation, amounted to £18,077,890 (2015 - loss £20,935,905).

The directors do not recommend the payment of a dividend (2015: £Nil).

#### Directors

The directors who served during the year were:

Dr J P Booth - Chairman  
N A Eastwood - Chief Executive Officer (resigned 31 May 2016)  
R C Jennings - Chief Finance Officer  
G R Pestell - Group Product Director (resigned 21 June 2016)  
N J Lynch-Aird

#### Future developments

The focus of the management team in 2016 and 2017 has been on converting the acquired customer base into a sustainable profitable business through improving margin and a changed focus from online to more selective organic routes to market. The business continues to enjoy the support of its principal shareholder and network partners and the directors are confident that they can continue to develop the business in its new phase.

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**NEW CALL TELECOM LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2016**

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**Disclosure of information to auditor**

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

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

**Going concern**

The company continues to enjoy the support of its parent undertaking and of its ultimate shareholder, Dr Booth. However, should additional working capital be required in the future the company does not have binding commitments from its shareholders to supply such additional working capital. The business has not required net new injections of funds from its shareholder since March 2016 and currently trades on a cash positive basis. The directors are confident that they can continue to develop the business in its new phase and have prepared a business plan and cash flow projections which show that the business is able to meet its commitments as they fall due for a period of at least 12 months from the date of approval of the financial statements. They therefore consider that the going concern basis of preparation is appropriate.

**Post balance sheet events**

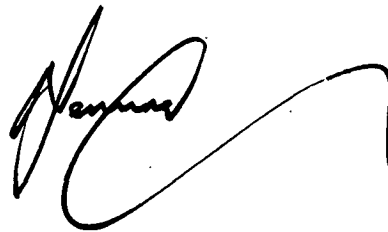
There have been no significant events affecting the company since the year end.

**Auditor**

Under section 487(2) of the Companies Act 2006, Crowe Clark Whitehill LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 16 March 2017 and signed on its behalf.

R C Jennings - Chief Finance Officer  
Director





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## NEW CALL TELECOM LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NEW CALL TELECOM LIMITED

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We have audited the financial statements of New Call Telecom Limited for the year ended 31 March 2016, set out on pages 8 to 29. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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.

#### Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' responsibilities statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit or loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 2.2 of the statement of accounting policies in the financial statements concerning the company's ability to continue as a going concern.

The company recorded a loss on ordinary activities before and after taxation of £18.1 million in the year ended 31 March 2016 and at that date had accumulated losses of £50.3 million and net liabilities of £49.1 million. The

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**NEW CALL TELECOM LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NEW CALL TELECOM LIMITED  
(CONTINUED)**

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company has been funded to date by loans from its parent undertaking of £48.8 million. The parent undertaking and the company's ultimate shareholder have confirmed that repayment of these loans will not be required within a period of at least 12 months from the date of approval of the financial statements unless the company is able to make such repayments. However, should additional working capital be required in the future the company does not have binding commitments from its shareholder to supply such additional working capital.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

**Opinion on other matter prescribed by the Companies Act 2006**

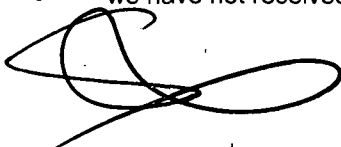
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

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

**Matters on which we are required to report by exception**

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

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



Stephen Bullock (Senior statutory auditor)

for and on behalf of  
**Crowe Clark Whitehill LLP**

Statutory Auditor

St Bride's House  
10 Salisbury Square  
London  
EC4Y 8EH

16 March 2017

NEW CALL TELECOM LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 £	2015 £
Turnover	4	27,064,023	32,809,127
Cost of sales		(23,404,092)	(27,349,371)
<b>Gross profit</b>		<b>3,659,931</b>	<b>5,459,756</b>
Administrative expenses		(8,371,826)	(19,361,331)
<b>Operating loss</b>	5	<b>(4,711,895)</b>	<b>(13,901,575)</b>
Amortisation		(396,077)	(1,522,750)
Sales Acquisition Costs		(9,544,856)	(3,439,278)
<b>Total operating loss</b>		<b>(14,652,828)</b>	<b>(18,863,603)</b>
Interest receivable and similar income	9	307,161	106,023
Interest payable and expenses	10	(3,732,223)	(2,178,325)
<b>Loss before tax</b>		<b>(18,077,890)</b>	<b>(20,935,905)</b>
Tax on loss	11	-	-
<b>Loss for the year</b>		<b>(18,077,890)</b>	<b>(20,935,905)</b>
<b>Other comprehensive income for the year</b>			
<b>Total comprehensive income for the year</b>		<b>(18,077,890)</b>	<b>(20,935,905)</b>

**NEW CALL TELECOM LIMITED**  
**REGISTERED NUMBER: 07298834**

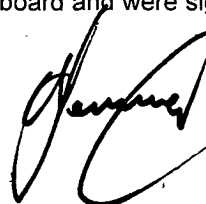
**BALANCE SHEET**  
**AS AT 31 MARCH 2016**

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Intangible assets	12	-	1,311,921
Tangible assets	13	2,976,909	2,503,556
Investments	14	-	5,457,356
		<u>2,976,909</u>	<u>9,272,833</u>
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	15	-	3,803,364
Debtors: amounts falling due within one year	15	9,294,675	13,436,061
Cash at bank and in hand	16	2,176,709	1,776,586
		<u>11,471,384</u>	<u>19,016,011</u>
Creditors: amounts falling due within one year	17	(14,123,753)	(7,000,325)
<b>Net current (liabilities)/assets</b>		<u>(2,652,369)</u>	<u>12,015,686</u>
<b>Total assets less current liabilities</b>		<u>324,540</u>	<u>21,288,519</u>
Creditors: amounts falling due after more than one year	18	(49,500,183)	(52,386,272)
<b>Net liabilities</b>		<u>(49,175,643)</u>	<u>(31,097,753)</u>
<b>Capital and reserves</b>			
Called up share capital	19	387,157	387,157
Share premium account	20	82,409	82,409
Other reserves	20	695,702	811,652
Profit and loss account	20	(50,340,911)	(32,378,971)
		<u>(49,175,643)</u>	<u>(31,097,753)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16 March 2017.

**R C Jennings - Chief Finance Officer**  
 Director

The notes on pages 12 to 29 form part of these financial statements.



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**NEW CALL TELECOM LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2016**

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	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 April 2015	387,157	82,409	811,652	(32,378,971)	(31,097,753)
<b>Comprehensive income for the year</b>					
Loss for the year	-	-	-	(18,077,890)	(18,077,890)
<b>Interest on deferred trade creditors</b>	-	-	(115,950)	115,950	-
<b>At 31 March 2016</b>	<b>387,157</b>	<b>82,409</b>	<b>695,702</b>	<b>(50,340,911)</b>	<b>(49,175,643)</b>

**NEW CALL TELECOM LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2015**

	<b>Called up share capital</b>	<b>Share premium account</b>	<b>Other reserves</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 April 2014 (as previously stated)	387,157	82,409	927,602	(16,273,212)	(14,876,044)
Prior year adjustment	-	-	-	4,714,196	4,714,196
At 1 April 2014 (as restated)	387,157	82,409	927,602	(11,559,016)	(10,161,848)
<b>Comprehensive income for the year</b>					
Loss for the year	-	-	-	(20,935,905)	(20,935,905)
<b>Interest on deferred trade creditors</b>	-	-	(115,950)	115,950	-
<b>At 31 March 2015</b>	<b>387,157</b>	<b>82,409</b>	<b>811,652</b>	<b>(32,378,971)</b>	<b>(31,097,753)</b>

The notes on pages 12 to 29 form part of these financial statements.

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## NEW CALL TELECOM LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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#### 1. General information

New Call Telecom Limited is a private company limited by shares, incorporated and domiciled in the United Kingdom. The address of its registered office is 5-9 Eden Street, Kingston Upon Thames, Surrey, KT1 1BQ. The company is registered at Companies House, England and Wales.

The principal activity of the company is to provide telecommunication services in the UK and Internationally.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

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

Information on the impact of first-time adoption of FRS 102 is given in note 26.

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

##### Disclosure Exemptions

In preparing the separate financial statements of the company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented, as the wholly owned subsidiary is included in the consolidated financial statements.
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.
- Related party transactions have not been disclosed within other wholly owned members of the group.
- Disclosures in respect of the company's financial instruments have not been presented as equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

The following principal accounting policies have been applied:

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## NEW CALL TELECOM LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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## 2. Accounting policies (continued)

### 2.2 Going concern

New Call Telecom Limited's parent company, New Call Telecom Holdings Limited, has confirmed to the directors that it will not request repayment of any sums owed, except to the extent that the company is able to discharge all its debts and liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements. The company continues to enjoy the support of its parent undertaking and of its ultimate shareholder, Dr Booth. However, should additional working capital be required in the future the company does not have binding commitments from its shareholders to supply such additional working capital. The business has not required net new injections of funds from its shareholder since March 2016 and currently trades on a cash positive basis. The directors have prepared a business plan and cash flow projections which show that the business is able to meet its commitments as they fall due for a period of at least 12 months from the date of approval of the financial statements. They therefore consider that the going concern basis of preparation is appropriate.

### 2.3 Turnover

Turnover comprises revenue recognised by the company in respect of services supplied during the year, exclusive of Value Added Tax and trade discounts.

Net revenue is derived from carrying a mix of business, residential and carrier long distance traffic, data and internet traffic.

For certain voice services, net revenue is earned based on the number of minutes during a call and are recorded upon completion of a call. Revenue for a period is calculated from information received through the network switches. The company's systems allow it to track the information from the switch and analyse the call detail records against stored detailed information about revenue rates. This system provides the company with the ability to carry out a timely and accurate analysis of revenue earned in a period. Separate prepaid services software is used to track additional information related to prepaid service usage such as activation date, monthly usage amount and expiration date.

Net revenue is also earned on fixed monthly fee basis for certain products. Data/internet services include monthly fees collected for the provision of a number of plans. These fees are recognised as access is provided on a monthly basis. Additionally, service activation and installation fees are deferred and amortised over the contract term. The company records payments received in advance for services and services to be provided under contractual agreements, such as internet broadband as deferred revenue until such related services are provided.



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## NEW CALL TELECOM LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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## 2. Accounting policies (continued)

### 2.4 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 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 Statement of comprehensive income over its useful economic life.

#### Customer Contracts

On acquisition the company also seeks to identify other intangible assets such as customer contracts. Intangible assets such as customer contracts acquired through a business combination are capitalised separately from goodwill and amortised over their expected useful lives of up to five years on a straight line basis. The value attributed to such assets is based on the future economic benefit that is expected to be derived from them. The method of amortisation reflects the pattern in which the assets are expected to be consumed.

Amortisation is provided at the following rates:

Customer contracts	-	20% straight line
Goodwill	-	20% straight line

### 2.5 Tangible fixed assets

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on the following basis:

Fixtures & fittings	-	12.5 - 33% straight line
Fixtures & fittings - Customer premises equipment	-	Initial customer contract length
Computer equipment	-	33% straight line
Computer software	-	10% 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 Statement of comprehensive income.

### 2.6 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

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## NEW CALL TELECOM LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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#### 2. Accounting policies (continued)

##### 2.7 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.

##### 2.8 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.

##### 2.9 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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

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

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

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

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

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## NEW CALL TELECOM LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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#### 2. Accounting policies (continued)

##### 2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

##### 2.11 Foreign currency translation

###### Functional and presentation currency

The company's functional and presentational currency is GBP.

###### Transactions and balances

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

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

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

##### 2.12 Finance costs

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

##### 2.13 Operating leases

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

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## NEW CALL TELECOM LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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#### 2. Accounting policies (continued)

##### 2.14 Pensions

###### Defined contribution pension plan

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

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

##### 2.15 Interest income

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

##### 2.16 Taxation

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

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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

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## NEW CALL TELECOM LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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#### 2. Accounting policies (continued)

##### 2.17 Sales acquisition costs

Expenses incurred to acquire new residential home telephone and broadband customers in the form of commissions paid to third parties are deferred and charged to the profit and loss account evenly over a 24 month period.

This represents a change in accounting estimate adopted prior to the financial period ended 30 March 2016. The comparative figures have not been restated to reflect this as this change in estimate is not retrospective. In the year ended 31 March 2015 sales acquisition costs were deferred and charged to the profit and loss account evenly over a 36 month period.

The directors are of the opinion that this change of accounting estimate more appropriately matches the expense of acquiring new customers with the economic benefit flowing to the group from acquiring that customer, over the anticipated period of customer tenure.

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

In the application of the company's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below.

##### Sales acquisition costs

Expenses incurred to acquire new residential customers are deferred and charged to the profit and loss accounts over the estimated period over which the company derives economic benefit is a key area of estimation uncertainty.

##### Bad debt provision

The directors' assessment of provisions required for bad and doubtful debts is based on past experience of collectability and is a key area of estimation uncertainty.

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**NEW CALL TELECOM LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

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**4. Turnover**

An analysis of turnover by class of business is as follows:

	<b>2016</b> <b>£</b>	<b>2015</b> <b>£</b>
Residential telephone and broadband services	<b>27,064,023</b>	<b>32,809,127</b>
	<b>27,064,023</b>	<b>32,809,127</b>

All turnover arose within the United Kingdom.

**5. Operating loss**

The operating loss is stated after charging:

	<b>2016</b> <b>£</b>	<b>2015</b> <b>£</b>
Depreciation of tangible fixed assets	<b>1,535,728</b>	<b>3,780,277</b>
Amortisation of intangible assets, including goodwill	<b>396,092</b>	<b>1,522,750</b>
Other operating lease rentals	<b>333,749</b>	<b>306,675</b>
Defined contribution pension cost	<b>52,237</b>	<b>-</b>

**6. Auditor's remuneration**

	<b>2016</b> <b>£</b>	<b>2015</b> <b>£</b>
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	<b>28,000</b>	<b>44,974</b>

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**NEW CALL TELECOM LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

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**7. Employees**

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	3,107,720	3,339,720
Social security costs	233,826	250,921
Pension costs	52,237	-
	<u>3,393,783</u>	<u>3,590,641</u>

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

	2016 No.	2015 No.
Senior executives	10	9
Professional roles	68	21
Administration and customer services	89	143
Apprentices	3	9
	<u>170</u>	<u>182</u>

**8. Directors' remuneration**

The highest paid director received remuneration of £113,460 (2015 - £281,220).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2015 - £NIL).

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £NIL (2015 - £NIL).

**9. Interest receivable**

	2016 £	2015 £
Interest receivable from group companies	307,161	40,649
Other interest receivable	-	65,374
	<u>307,161</u>	<u>106,023</u>

NEW CALL TELECOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

10. Interest payable and similar charges

	2016 £	2015 £
Loans from group undertakings	3,616,273	2,061,482
Other interest payable	115,950	116,843
	<u>3,732,223</u>	<u>2,178,325</u>

11. Taxation

	2016 £	2015 £
Total current tax	-	-
Deferred tax		
Total deferred tax	-	-
Taxation on profit on ordinary activities	-	-

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - *lower than*) the standard rate of corporation tax in the UK of 20% (2015 - 21%). The differences are explained below:

	2016 £	2015 £
Loss on ordinary activities before tax	(18,077,890)	(20,935,905)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 21%)	(3,615,578)	(4,396,540)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	201,326	113,911
Depreciation in the year in excess of capital allowances	386,364	775,885
Short term timing difference leading to a decrease in taxation	(56,200)	(74,256)
Unrelieved tax losses carried forward	3,084,088	3,581,000
Total tax charge for the year	-	-



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**NEW CALL TELECOM LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

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**11. Taxation (continued)**

**Factors that may affect future tax charges**

The company has unutilised trading losses carried forward of £49,524,000 (2015: £33,378,000). In accordance with accounting standards no deferred tax asset has been recognised in respect of these amounts. The directors will continue to assess in the future whether a deferred tax asset should be recognised.

**12. Intangible assets**

	Customer contracts £	Goodwill £	Total £
<b>Cost</b>			
At 1 April 2015	4,005,423	3,608,323	7,613,746
Disposals	-	(3,608,323)	(3,608,323)
At 31 March 2016	4,005,423	-	4,005,423
<b>Amortisation</b>			
At 1 April 2015	3,609,331	2,692,494	6,301,825
Charge for the year	396,092	-	396,092
On disposals	-	(2,692,494)	(2,692,494)
At 31 March 2016	4,005,423	-	4,005,423
<b>Net book value</b>			
At 31 March 2016	-	-	-
At 31 March 2015	396,092	915,829	1,311,921

NEW CALL TELECOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

13. Tangible fixed assets

	Fixtures & fittings £	Computer equipment £	Computer software £	Total £
<b>Cost or valuation</b>				
At 1 April 2015	6,369,781	350,000	2,332,077	9,051,858
Additions	981,430	-	1,027,651	2,009,081
At 31 March 2016	7,351,211	350,000	3,359,728	11,060,939
<b>Depreciation</b>				
At 1 April 2015	5,541,818	350,000	656,484	6,548,302
Charge for the period on owned assets	1,202,437	-	333,291	1,535,728
At 31 March 2016	6,744,255	350,000	989,775	8,084,030
<b>Net book value</b>				
At 31 March 2016	606,956	-	2,369,953	2,976,909
At 31 March 2015	827,963	-	1,675,593	2,503,556

14. Fixed asset investments

	Investments in subsidiary companies £
At 1 April 2015	5,457,356
Disposals	(5,457,356)
At 31 March 2016	-
At 31 March 2015	5,457,356

During the year the company's investment in WaveCrest (UK) Limited and its subsidiaries were transferred to New Call Telecom Holdings Limited.

**NEW CALL TELECOM LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**15. Debtors**

	2016 £	2015 £
<b>Due after more than one year</b>		
Amounts owed by group undertakings	-	3,803,364
	<u>-</u>	<u>3,803,364</u>
	2016 £	2015 £
<b>Due within one year</b>		
Trade debtors	480,402	2,335,650
Amounts owed by group undertakings	1,317,627	26,466
Other debtors	472,039	1,501,146
Prepayments and accrued income	7,024,607	9,572,799
	<u>9,294,675</u>	<u>13,436,061</u>

**16. Cash and cash equivalents**

	2016 £	2015 £
Cash at bank and in hand	2,176,709	1,776,586
	<u>2,176,709</u>	<u>1,776,586</u>

**17. Creditors: Amounts falling due within one year**

	2016 £	2015 £
Trade creditors	4,409,734	3,265,886
Amounts owed to group undertakings	2,992,667	-
Amounts owed to related parties	-	26,018
Taxation and social security	49,785	59,576
Other creditors	54,119	327,000
Accruals and deferred income	6,617,448	3,321,845
	<u>14,123,753</u>	<u>7,000,325</u>

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NEW CALL TELECOM LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

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

	2016 £	2015 £
Trade creditors	662,249	762,299
Amounts owed to parent undertaking	48,837,934	46,950,973
Other creditors	-	4,673,000
	<u>49,500,183</u>	<u>52,386,272</u>

**Secured loans**

Amounts owed to parent undertaking are secured by way of a debenture in favour of Dr Jerome Booth over all of the assets of New Call Telecom Limited and its parent undertaking, New Call Telecom Holdings Limited.

Shareholder loans carry interest at the rate of 8% per annum and have no specified maturity date.

Included in trade creditors is an amount due to a supplier on deferred terms. The outstanding amount at 31 March 2016 was £1,458,000 (2015: £1,836,000). The amount outstanding is on an interest free repayment basis and has been discounted in accordance with FRS 102 s11.15.

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NEW CALL TELECOM LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

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**19. Share capital**

	2016 £	2015 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
378,000 Series A shares of £1 each	<u>378,000</u>	<u>378,000</u>
<b>Allotted, called up and partly paid</b>		
91,567 Ordinary shares of £1 each	<u>9,157</u>	<u>9,157</u>

**20. Reserves**

Called up share capital

Represents the nominal value of shares that have been issued.

**Share premium account**

Represents the excess over the nominal value of ordinary shares resulting from various share transfers.

**Other reserves**

Represents the discounted amount of deferred trade creditors to be unwound over the payment terms.

**Profit & loss account**

Represents the cumulative excess of realised and unrealised profits and losses.

**21. Capital commitments**

The entity had no capital commitments at year end (2015: Nil).

**22. Pension commitments**

The company operates a defined contributions pension scheme on behalf of certain employees. The pension cost charge represents contributions payable by the company amounted to £52,237 (2015 - £nil). Contributions totalling £nil (2015 - £nil) were payable to the fund at the balance sheet date.

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## NEW CALL TELECOM LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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#### 23. Commitments under operating leases

At 31 March 2016 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	122,500	112,500
Later than 1 year and not later than 5 years	760,000	712,500
Later than 5 years	467,500	637,500
	<u>1,350,000</u>	<u>1,462,500</u>

#### 24. Related party transactions

At the balance sheet date New Call Telecom Limited was a subsidiary of New Call Telecom Holdings Limited. The company has taken advantage of the exemption contained in FRS 102 S33.1A for subsidiary undertakings where 100% of the voting rights are controlled within the group.

The company has engaged in the following transactions and has the balances outstanding at the year end with other related parties:

New Call Telecom India Private Limited is a related party through common directorships with the company. During the year New Call Telecom India Private Limited made recharges for staff, rent and other operating expenses amount to £714,299 (2015: £693,096) to the company. At the year end, New Call Telecom India Private Limited owed the company 2016: £58,717 (2015: £26,466).

New Sparta Limited is a related party through common directors/shareholders. During the year New Sparta Limited invoiced the company amounts totalling £36,000 (2015: £181,003) in relation to consultancy, rent and expenses incurred by the director of the company, Dr Jerome Booth. At the year end, included within creditors, are amounts owed to New Sparta Limited totalling £49,287 (2015: £13,287).

Lynch-Aird Consulting LLP is a related party through common directors/shareholders. During the year Lynch Aird Consulting LLP invoiced the company amounts totalling £24,308 (2015: £57,575) in relation to consultancy services. At the year end, included within creditors, are amounts owed to Lynch-Aird Consulting LLP totalling £6,755 (2015: £13,287).

#### 25. Controlling party

The parent and ultimate parent undertaking of the smallest and largest group for which consolidated financial statements are prepared is New Call Telecom Holdings Limited. A copy of that company's consolidated financial statements is available from Companies House, England and Wales.

NEW CALL TELECOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

26. First time adoption of FRS 102

The company transitioned to FRS 102 from previously extant UK GAAP as at 1 April 2014. The impact of the transition to FRS 102 is as follows:

Note	As previously stated 1 April 2014 £	Effect of transition 1 April 2014 £	FRS 102 (as restated) 1 April 2014 £	As previously stated 31 March 2015 £	Effect of transition 31 March 2015 £	FRS 102 (as restated) 31 March 2015 £
Fixed assets	6,646,307	-	6,646,307	9,272,833	-	9,272,833
Current assets	8,830,494	-	8,830,494	19,016,011	-	19,016,011
Creditors: amounts falling due within one year	(9,341,988)	927,601	(8,414,387)	(7,116,274)	115,949	(7,000,325)
<b>Net current assets</b>	<b>(511,494)</b>	<b>927,601</b>	<b>416,107</b>	<b>11,899,737</b>	<b>115,949</b>	<b>12,015,686</b>
<b>Total assets less current liabilities</b>	<b>6,134,813</b>	<b>927,601</b>	<b>7,062,414</b>	<b>21,172,570</b>	<b>115,949</b>	<b>21,288,519</b>
Creditors: amounts falling due after more than one year	(17,224,261)	-	(17,224,261)	(53,081,973)	695,701	(52,386,272)
<b>Net liabilities</b>	<b>(11,089,448)</b>	<b>927,601</b>	<b>(10,161,847)</b>	<b>(31,909,403)</b>	<b>811,650</b>	<b>(31,097,753)</b>
Capital and reserves	(11,089,448)	927,601	(10,161,847)	(31,909,403)	811,650	(31,097,753)

NEW CALL TELECOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

26. First time adoption of FRS 102 (continued)

	Note	As previously stated 31 March 2015 £	Effect of transition 31 March 2015 £	FRS 102 (as restated) 31 March 2015 £
Turnover		32,809,127	-	32,809,127
Cost of sales		(27,349,371)	-	(27,349,371)
		<u>5,459,756</u>	<u>-</u>	<u>5,459,756</u>
Administrative expenses		(19,361,331)	-	(19,361,331)
Other operating income		(4,962,028)	-	(4,962,028)
		<u>(18,863,603)</u>	<u>-</u>	<u>(18,863,603)</u>
Operating profit		(18,863,603)	-	(18,863,603)
Interest receivable and similar income		106,023	-	106,023
Interest payable and similar charges		(2,062,375)	(115,950)	(2,178,325)
		<u>(20,819,955)</u>	<u>(115,950)</u>	<u>(20,935,905)</u>
Loss on ordinary activities after taxation and for the financial year		<u>(20,819,955)</u>	<u>(115,950)</u>	<u>(20,935,905)</u>

Explanation of changes to previously reported profit and equity:

- 1 Included in trade creditors is an amount due to a supplier on deferred terms. Other reserves represents the discounted amount of the deferred trade creditor to be unwound over the payment terms.