

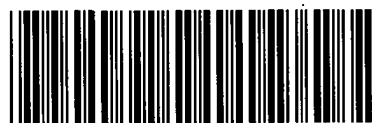
Ninian Solutions Limited

Registered Number 05777111

Consolidated Financial Statements

For the year ended 31 December 2016

FRIDAY



L6XGJ6CZ

LD3

12/01/2018

#103

COMPANIES HOUSE

Company Information

Directors

AR Mitchell – resigned 18 August 2017
AM McLoughlin– resigned 18 August 2017
CS McGregor – resigned on 5 May 2017
BM Tompkins– resigned 18 August 2017
J Hannah– resigned 18 August 2017
T Mawhinney– resigned 18 August 2017
NA Medlock– resigned 18 August 2017
MJ Brøgger – resigned on 1 December 2017
Dominic Ang – joined 18 August 2017
Evan Ginsburg – joined 18 August 2017
Chase Sorgel – joined 18 August 2017

Company Secretary

OHS Secretaries Limited – resigned on 18 August 2017
CMS Law – effective 15 December 2017

Registered Office

2nd Floor
Aldgate Tower
2 Leman Street
London
E1 8FA

Independent auditor

Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
30 Finsbury Square
London
EC2A 1AG

Table of contents

Company Information	1
Table of contents	2
Strategic Report	3
Directors' Report	5
Independent Auditor's Report to the members of Ninian Solutions Limited	7
Consolidated income statement	9
Consolidated balance sheet	10
Consolidated statement of cash flows	11
Consolidated statement of changes in equity	12
Notes to the consolidated financial statements	13
Parent company accounts	31
Notes to the parent company accounts	33

Strategic Report

Introduction

The principal activity of the group is the provision of its online collaboration tool, Huddle.

Business Review

2016 saw the group make solid progress to develop its business focussing in particular on advisory services and continuing its penetration into the UK and US Government verticals.

This led to a substantial increase in technology service (hosting) costs as well as R&D, headcount and other operating costs, as the group continued to invest heavily in the core operations of its business.

Revenues for the financial year increased by 10% to £11.2m (2015: £10.2m), driven by stronger recurring revenues seen in both the UK and the US business units. Business conditions were challenging because of general market uncertainties and strong competitive pressure.

The loss for the financial year was £6.5m (2015: £8.3m), driven by increased cost of goods sold related to the expansion of both the UK and US hosting and data storage requirements. It was also driven by the continued investment in R&D and administrative costs required to maintain the growth of the business with the expectation this continued investment will bring the business to profitability. The increase of the loss in respect of the group's operations was in-line with the directors' expectations given the stage of development and growth of the group's business units.

The group's strategy is to be the #1 online collaboration tool in the UK and the US and the directors are committed to making further investments in the future where these will add further expertise or allow the group to expand into lucrative additional markets.

The financial KPIs are discussed in the strategic review above. Other non-financial KPI's include a strong corporate culture, compliance, training, a mandate to reduce churn, and ensuring a positive customer experience.

On 18 August 2017 the group was acquired by Turn/River Capital. Turn River Capital acquired 100% of the group via purchase of the entire issued share capital of Ninian Solutions Limited.

Principal Risks & Uncertainties

With the exception of foreign exchange, interest rate and credit risk, the group is not exposed to any other significant financial risks.

As with most private companies, the group is reliant on the support of its main shareholders to provide funding until the group reaches profitability.

Foreign exchange risk

The group's activities do expose it to foreign exchange risk as the group's funding is denominated in US\$ whereas the majority of its costs are in Sterling. It mitigates this risk by monitoring and actively managing cash flows in its different operating currencies in order to minimise foreign exchange exposures.

Interest rate risk

The group is partially reliant on bank debt to fund its business. Currently this debt carries an interest charge of 5.25%. The group regularly monitors its exposure to changes in funding rates and monitors market developments and alternative funding options.

Credit risk

As the group continues to grow, its credit risk, primarily attributable to trade receivables, is also expected to grow. However, the group benefits from a favourable working capital cycle in that it usually collects its licence fees in advance. A bad debt provision is included on a monthly basis in respect of aged debtors.

Competition risk

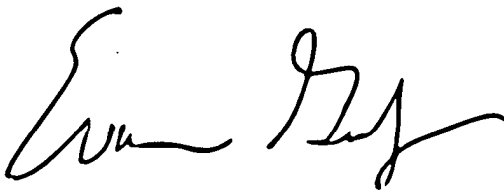
The directors believe that the competitive landscape is crowded but continue to be optimistic about prospects for continued expansion through new market growth and steady increases in customer renewal rates.

Strategic Report (continued)

Going concern

Based on current and forecasted performance, the directors expect there to continue to be sufficient cash headroom for at least 12 months from the date of approval of these financial statements. This is due to cash inflow as a result of the transaction with Turn/River Capital.

Furthermore, based on current and forecasted performance, the directors consider that the group will ultimately be profitable and cash generative. The directors have prepared forecasts which take into account the expected trading in the group and believe that these forecasts demonstrate that the group has adequate cash resources to continue to be able to pay its liabilities as they fall due for at least the next 12 months. Thus, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

A handwritten signature in black ink, appearing to read 'E Ginsburg', is positioned above the printed text.

By order of the Board
E Ginsburg, Director
8 January 2018

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2016.

Principal activities

The principal activity of the company and group in the year under review was the provision of the online collaboration software product, Huddle.

Results

The loss for the year before taxation amounted to £5.4m (2015: £8.8m loss).

Dividends

The directors are not recommending a dividend (2015: nil).

Going concern

Based on current and forecasted performance, the directors expect there to continue to be sufficient cash headroom for at least 12 months from the date of approval of these financial statements. This is due to cash inflow as a result of the transaction with Turn/River Capital.

Furthermore, based on current and forecasted performance, the directors consider that the group will ultimately be profitable and cash generative. The directors have prepared forecasts which take into account the expected trading in the group and believe that these forecasts demonstrate that the group has adequate cash resources to continue to be able to pay its liabilities as they fall due for at least the next 12 months. Thus, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements

Directors

The directors who served during the year are as follows:

AR Mitchell

AM McLoughlin

CS McGregor – resigned on 5 May 2017

BM Tompkins

J Hannah

T Mawhinney

NA Medlock

MJ Brøgger

Directors and related party transactions

Internal controls are in place to ensure that any related party transactions involving directors or other connected persons are carried out on an arm's length basis and are properly recorded by the group.

Financial instruments

The group's financial risk management objectives and policies, together with the details of the group's exposure to price risk, credit risk, liquidity risk and cash flow risk, are outlined in note 17.

Events since the balance sheet date

On 18 August 2017 the group was acquired by Turn/River Capital. Turn/River Capital acquired 100% of the group via purchase of the entire issued share capital of Ninian Solutions Limited. In addition, the company's loan facility was paid in full on 18 August 2017.

The company converted its inter-company debt to equity in Huddle Inc., effective December, 2017.

Directors' Report (continued)

Auditor

Grant Thornton UK LLP has expressed its willingness to continue in office as auditor of the company and its reappointment will be put to shareholders at the AGM.

Directors' Responsibility Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

In preparing the group financial statements, the directors are required to:

- present fairly the financial position, financial performance and cash flows of the group;
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- IFRS as adopted by the European Union 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

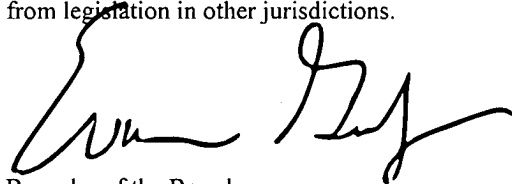
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's audit is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



By order of the Board
E Ginsburg, Director

8 January 2018

Independent Auditor's Report to the members of Ninian Solutions Limited

We have audited the financial statements of Ninian Solutions Limited for the year ended 31 December 2016 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, the Parent company Balance Sheet, the Parent company Statement of Changes in Equity and the related notes 1 to 19 in the Consolidated Financial Statements and related notes 1 to 8 in the Parent company Financial Statements. The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 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 set out on page 6, 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 Auditing Practices Board'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 group's and the parent 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 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 group's and of the parent company's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and Directors' Report has been prepared in accordance with applicable legal requirements.

Independent Auditor's Report to the members of Ninian Solutions Limited (continued)

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 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.

Grant Thornton UK LLP

Steven Leith

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants,

London

8 January 2018

Consolidated income statement

For the year ended 31 December 2016

		Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
	<i>Notes</i>		
Revenue	3	11,232	10,206
Cost of sales		(2,880)	(2,712)
Gross profit		8,352	7,494
Total operating expenses	3	(13,592)	(16,153)
Operating loss		(5,240)	(8,659)
Finance cost	5	(178)	(124)
Loss on ordinary activities before taxation		(5,418)	(8,783)
Taxation on ordinary activities	6	(1,119)	1,119
Loss for the year		(6,537)	(7,664)
Other comprehensive income			
Exchange differences on translating foreign operations		36	(654)
Total comprehensive loss for the year		(6,501)	(8,318)

The notes on pages 13 to 30 form part of these financial statements.

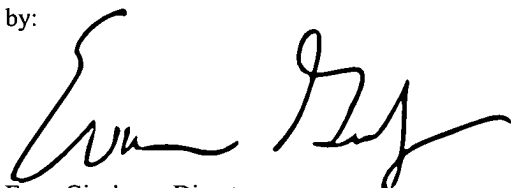
Consolidated balance sheet

As at 31 December 2016

		<i>As at 31 December 2016 £'000</i>	<i>As at 31 December 2015 £'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant & equipment	8	641	255
		<u>641</u>	<u>255</u>
Current assets			
Trade and other receivables	9	3,059	4,363
Cash and cash equivalents	10	2,337	7,515
		<u>5,396</u>	<u>11,878</u>
TOTAL ASSETS		<u><u>6,037</u></u>	<u><u>12,133</u></u>
EQUITY			
Issued share capital	13	1	1
Share Premium		39,471	39,420
Foreign Currency Translation reserve		77	41
Retained (deficit)/earnings		(44,624)	(38,341)
Equity attributable to equity shareholders of the parent		<u>(5,075)</u>	<u>1,121</u>
TOTAL EQUITY		<u>(5,075)</u>	<u>1,121</u>
LIABILITIES			
Current liabilities			
Trade and other payables	11	937	636
Other financial liabilities	11	7,371	7,280
Borrowings	12	2,371	1,325
		<u>10,679</u>	<u>9,241</u>
Non-current liabilities			
Borrowings	12	-	1,771
Other non-current liabilities		433	-
		<u>433</u>	<u>1,771</u>
TOTAL LIABILITIES		<u>11,112</u>	<u>11,012</u>
TOTAL EQUITY AND LIABILITIES		<u><u>6,037</u></u>	<u><u>12,133</u></u>

The notes on pages 13 to 30 form part of these financial statements.

These consolidated financial statements have been approved by the Board of Directors and signed on its behalf by:



Evan Ginsburg, Director

8 January 2018

Registered company number: 05777111

Consolidated statement of cash flows

For the period ended 31 December 2016

		<i>Year ended 31 December 2016 £'000</i>	<i>Year ended 31 December 2015 £'000</i>
	<i>Notes</i>		
Operating activities			
Loss before tax		(5,418)	(8,783)
Non-cash finance costs	5	18	18
Depreciation of property, plant and equipment	8	254	195
Other adjustments		-	(208)
Share based payment expense	14	236	341
Decrease in trade and other receivables		186	134
Increase in trade and other payables		825	464
Income tax received		-	656
Net cash flow from operating activities		(3,899)	(7,183)
Investing activities			
Purchase of property, plant & equipment and intangible assets	8	(641)	(207)
Net cash flows used in investing activities		(641)	(207)
Financing activities			
Bank charges		0	(109)
Interest paid	5	(178)	(114)
Proceeds from issue of share capital	13	51	64
Proceeds from borrowings		1,379	1,604
Repayment of borrowings		(1,926)	(375)
Net cash flows from financing activities		(674)	1,070
Net decrease in cash and cash equivalents		(5,214)	(6,320)
Exchange differences		36	(654)
Cash and cash equivalents at beginning of period	10	7,515	14,489
Cash and cash equivalents at year end date		2,337	7,515

The notes on pages 13 to 30 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2016

	<i>Notes</i>	<i>Issued share capital £'000</i>	<i>Share Premium £'000</i>	<i>Foreign Currency Translation £'000</i>	<i>Retained earnings/ (deficit) £'000</i>	<i>Total shareholders' equity £'000</i>
At 31 December 2014		1	39,356	695	(31,036)	9,016
Issue of shares	13	-	64	-	-	64
Share based payments charge	14	-	-	-	359	359
Comprehensive loss for the period		-	-	(654)	(7,664)	(8,318)
At 31 December 2015		1	39,420	41	(38,341)	1,121
Issue of shares	13	-	51	-	-	51
Share based payments charge	14	-	-	-	254	254
Comprehensive loss for the period		-	-	36	(6,537)	(6,501)
At 31 December 2016		1	39,471	77	(44,624)	(5,075)

The notes on pages 13 to 30 form part of these financial statements.

Notes to the consolidated financial statements

For the period ended 31 December 2016

1. Accounting policies

Ninian Solutions Limited is a limited company incorporated and domiciled in England and Wales. Its registered address is Aldgate Tower, 2 Leaman Street, London E1 8FA.

Basis of preparation

The group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to financial statements of the group for the year ended 31 December 2016 and applied in accordance with the Companies Act 2006. These accounting policies were consistently applied for all the periods presented.

The group financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

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

These financial statements were approved and authorised for issue by the board on 19 December 2017. Amendments to the financial statements are not permitted after approval.

Going concern

Based on current and forecasted performance, the directors expect there to continue to be sufficient cash headroom for at least 12 months from the date of approval of these financial statements. This is due to cash inflow as a result of the transaction with Turn/River Capital.

Furthermore, based on current and forecasted performance, the directors consider that the group will ultimately be profitable and cash generative. The directors have prepared forecasts which take into account the expected trading in the group and believe that these forecasts demonstrate that the group has adequate cash resources to continue to be able to pay its liabilities as they fall due for at least the next 12 months. Thus, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements

Basis of consolidation

The consolidated financial statements include the financial statements of Ninian Solutions Limited and all of its subsidiaries for the periods reported.

For the purposes of preparing these consolidated accounts, subsidiaries are those entities controlled by the group. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities and is achieved through direct or indirect ownership of voting rights, by way of contractual agreement. The financial statements of subsidiaries, which are prepared for the same reporting period, are included in the consolidated financial statements from the date that control commences until the date control ceases. All intra-group balances, income and expenses and unrealised gains and losses resulting from the intra-group transactions are eliminated in full on consolidation.

Subsidiary entity accounts are prepared in accordance with local accounting standards and have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Revenue recognition

Group revenue is principally derived from and measured with reference to contracted licence fees in respect of the Huddle online collaboration tool.

Revenue is recognised over the life of the contract and deferred or accrued as appropriate at the period end to the extent that the service is delivered and to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and Value Added Taxes.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Such cost includes the cost of replacing part of the property, plant and equipment when the cost is incurred, if the recognition criteria are met, in which case the carrying value of the replaced part is written off. All major repairs and maintenance costs are recognised in the income statement as incurred.

Notes to the consolidated financial statements

For the year ended 31 December 2016

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

Leasehold improvements	-	over lease term
Fixtures and fittings	-	3 years
Plant and machinery	-	3 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is de-recognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. The assets are reviewed for impairment if events or circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Impairment of non-financial assets

The group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in the income statement as a highlighted item in the period in which they are incurred.

Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as financial assets held at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate.

The group currently holds no financial assets held at fair value through profit or loss, held-to-maturity or available for sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs.

The group determines the classifications of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Loans and receivables

Loans and receivables are non-derivative financial assets with a fixed or determinable payment that are not quoted in an active market. After initial recognition loans and receivables are carried at amortised cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Assets carried at amortised cost

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the group will not be able to collect all the amounts due under the original terms of the invoice. The carrying amount of the receivables is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectable.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Foreign currency translation

The consolidated financial statements are presented in Sterling, which is also the functional currency of the parent company. Foreign currency transactions are translated into the functional currency of the respective group entity

Notes to the consolidated financial statements

For the year ended 31 December 2016

using the exchange rates prevailing at the dates of the transactions (spot exchange rates). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year end and are measured at historical cost (translated using exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

In the group's financial statements, all assets, liabilities and transactions of group entities with a functional currency other than Sterling are translated into Sterling upon consolidation. The functional currency of the entities in the group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into Sterling at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Sterling at the closing rate. Income and expenses have been translated into Sterling at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

Financial liabilities

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

De-recognition of liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Provisions

Provisions are recognised when the group has a probable, present legal or constructive obligation to make a transfer of economic benefits as a result of past events where a reliable estimate is available. The amounts recognised represent the group's best estimate of the transfer of benefits that will be required to settle the obligation as of the balance sheet date. Provisions are discounted if the effect of the time value of money is material using a pre-tax market rate adjusted for risks specific to the liability.

Share-based payments

Equity-settled transactions

The costs of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date of grant and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value is determined using the Black-Scholes pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting) conditions, other than performance conditions linked to the price of the shares of the company (market conditions). Any other conditions which are required to be met in order for the employee to become fully entitled to an award are considered non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting irrespective of whether

Notes to the consolidated financial statements

For the year ended 31 December 2016

or not the market vesting condition or non-vesting condition is satisfied, provided that all service and non-market vesting conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of service and non-market vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition or a non-vesting condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the terms of the original award continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over the fair value of the settled award being treated as an expense in the income statement.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary difference associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

Notes to the consolidated financial statements

For the year ended 31 December 2016

New standards and interpretations

The following standards and interpretations in issue are not yet effective for the group and have not been adopted by the group:

Effective dates*

Amendments to IFRS 11 Accounting for Acquisition of

IFRS 15 Revenue from Contracts with Customers 1 January 2018

IFRS 9 Financial Instruments (issued in 2014) 1 January 2018

IFRS 16 Leases 1 January 2019

Not all of these standards and amendments impact the group's consolidated financial statements.

The directors do not expect the adoption of these standards and interpretations to have a material impact on the consolidated or company financial statements in the period of initial adoption with the exception of IFRS 16, the impact of which, the Directors have not yet made an assessment.

2. Significant accounting judgements and assumptions

The preparation of the group's financial statements requires management to make estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the statement of financial position date, amounts reported for revenues and expenses during the year, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liability affected in the future.

In the process of applying the group's accounting policies, management has made the following judgments and estimates which have the most significant effect on the amounts recognised in the financial statements:

Judgements

Operating lease commitments

The group has entered into commercial property leases as a lessee. In doing so, it obtains the use of property, plant and equipment. The classification of such leases as operating or finance lease requires the group to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risk and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

Share based payments

The group operates an equity settled employee share option plan as more fully described in note 14. The fair value of the options granted has been estimated using a Black Scholes option pricing model using input variables estimated to be the most appropriate in the circumstances.

Provision for doubtful debts

The group makes appropriate and prudent provision for specific accounts receivable based on its judgement of accounts felt to be at risk.

Notes to the consolidated financial statements

For the year ended 31 December 2016

3. Revenue and operating expenses

Geographical analysis of revenue:

The group's revenues from external customers are divided into the following geographical areas:

	<i>Year ended 31 December 2016 £'000</i>	<i>Year Ended 31 December 2015 £'000</i>
EMEA	8,076	7,812
USA	3,156	2,394
	<u>11,232</u>	<u>10,206</u>

<i>Operating expenses</i>	<i>Year ended 31 December 2016 £'000</i>	<i>Year Ended 31 December 2015 £'000</i>
---------------------------	--	--

Included in operating expenses:

Depreciation of owned property, plant & equipment	240	195
Operating lease rentals – land and buildings	662	444
R&D expenditure	3,956	4,344
Auditor remuneration:		
Audit	25	24
Tax compliance services	5	5
Research and Development tax credit work	15	14.5

4. Employee costs

Employee benefits expense

	<i>Year ended 31 December 2016 £'000</i>	<i>Year ended 31 December 2015 £'000</i>
<i>Included in other operating costs</i>		
Wages and salaries	8,295	9,975
Employer related taxes	848	1,080
Pension costs	153	169
	<u>9,296</u>	<u>11,224</u>

Notes to the consolidated financial statements

For the year ended 31 December 2016

Average number of people employed

	<i>2016</i>	<i>2015</i>
	<i>FTE</i>	<i>FTE</i>
Number of full time equivalent (FTE) employees	27	36
<i>Average number of people (including executive directors) employed:</i>		
Operational	99	124
Administration	15	22
Total average headcount	114	146

Directors' remuneration of 2 Directors

	<i>Year ended 31 December 2016 £'000</i>	<i>Year ended 31 December 2015 £'000</i>
Aggregate remuneration in respect of qualifying services	514	551
Aggregate remuneration in respect of the highest paid director	341	268

5. Finance costs and income

Finance costs

	<i>Year ended 31 December 2016 £'000</i>	<i>Year Ended 31 December 2015 £'000</i>
Interest on debts, borrowings and finance leases	178	106
Share based payment charge in respect of warrants	18	18
	196	124

Notes to the consolidated financial statements

For the year ended 31 December 2016

6. Income tax

Tax on loss on ordinary activities

The tax credit is made up as follows:

	<i>Year ended 31 December 2016 £'000</i>	<i>Year Ended 31 December 2015 £'000</i>
<i>Current tax:</i>		
UK corporation tax (credit)/charge on the (loss)/profit for the period	1,119	(1,119)
Foreign tax on income for the period	-	-
Total current tax	1,119	(1,119)
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	-	-
Total tax credit for the year	1,119	(1,119)

Factors affecting tax charge for the period

The tax credit for the year is different from the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

	<i>Year ended 31 December 2016 £'000</i>	<i>Year ended 31 December 2015 £'000</i>
Loss on ordinary activities before tax	(4,419)	(8,783)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 – 20.5%)	(1,084)	(1,779)
<i>Effects of:</i>		-
Prior year adjustment	1,119	-
Expenses not deductible for purposes	(32)	-
Difference between capital allowances and depreciation	14	3
Adjustment in research and development tax credit leading to a decrease in tax charge	-	(880)
Difference arising from tax credit rate and corporation tax rate	(147)	444
Amounts not recognised in deferred tax	1,249	1,093
Total tax credit for the period	1,119	(1,119)

Deferred tax

A net deferred tax asset amounting to £9,138,000 (2015: £7,889,000) resulting from tax losses carried forward and other timing differences has not been recognised in the financial statements due to the current uncertainty of future profits.

Notes to the consolidated financial statements

For the year ended 31 December 2016

7. Investments

The following was a subsidiary undertaking of the company:

Name	Class of shares	Holding
Huddle Incorporated (registered in USA)	Ordinary	100%

8. Property, plant and equipment

	<i>Leasehold Improvements</i> £'000	<i>Plant and machinery</i> £'000	<i>Fixtures and fittings</i> £'000	<i>Total</i> £'000
At 31 December 2014	186	97	470	753
Additions	2	17	191	210
At 31 December 2015	188	114	661	963
Additions	404	0	236	640
At 31 December 2016	592	114	897	1,603

Depreciation:

At 31 December 2014	91	96	326	513
Charge for the period	61	0	134	195
At 31 December 2015	152	96	460	708
Charge for the period	72	6	176	254
At 31 December 2016	224	102	636	962

Net Book value: 31 December 2016	368	12	261	641
Net Book value: 31 December 2015	36	18	198	255

Notes to the consolidated financial statements

For the year ended 31 December 2016

9. Trade and other receivables

	<i>As at 31 December 2016 £'000</i>	<i>As at 31 December 2015 £'000</i>
Trade receivables	2,353	2,355
Provision for bad debt	(35)	(94)
Other receivables (see note below)	12	1,483
Prepayments and accrued income	729	619
	3,059	4,363

Trade receivables are non-interest bearing and are payable on 30 day terms. All outstanding trade receivables that have not been provided for are considered to be recoverable. Included in Other receivables as of 31 December 2015 was £1.1 million relating to a Research and Development tax credit claim with HMRC for the research and development activity that occurred during the year ended 31 December 2015. There is an ongoing inquiry with HMRC over the validity of this claim. As such recognition of this asset is not virtually certain as of the balance sheet date and management has therefore provided against this claim in full during the year ended 31 December 2016. No asset has been recognised with respect to research and development activity that occurred during the year ended 31 December 2016.

As at 31 December, the ageing analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
	£'000	£'000	<30 days £'000	30-60 days £'000	61-90 days £'000	91-120 days £'000	>120 days £'000
2016	2,353	0	134	1,317	493	162	247
2015	2,355	81	1,602	311	120	52	189

The provision for doubtful debt relates to receivables entirely greater than 120 days old in respect of 2016 (2015: greater than 120 days old).

The ten largest accounts receivable balances comprise 60% (2015: 53%) of the total value of accounts receivable.

Note 17, financial risk management, explains how the group manages and measures the credit quality of trade receivables that are neither past due nor impaired.

10. Cash and cash equivalents

	<i>As at 31 December 2016 £'000</i>	<i>As at 31 December 2015 £'000</i>
Cash and cash equivalents	2,337	7,515

Notes to the consolidated financial statements

For the year ended 31 December 2016

11. Trade and other payables

	<i>As at</i> 31 December 2016 £'000	<i>As at</i> 31 December 2015 £'000
Trade payables	875	636
Other trade payables	62	216
Accruals and deferred revenue	6,977	6,471
Other taxes and social security costs	394	593
	<u>8,308</u>	<u>7,916</u>

12. Borrowings

Financial liabilities

Interest bearing loans and borrowings

			<i>As at</i> 31 December 2016 £'000	<i>As at</i> 31 December 2015 £'000
	<i>Interest rate %</i>	<i>Maturity</i>		
Liabilities				
Current:				
<i>Other loans:</i>				
US\$2.6m Silicon Valley Bank loan	5.25%	Aug 2018	-	785
US\$2.4m Silicon Valley Bank loan	5.25%	Aug 2018	-	540
US\$5.0m Silicon Valley Bank loan	5.25%	Aug 2018	2,371	-
			<u>2,371</u>	<u>1,325</u>
Non-current:				
US\$2.6m Silicon Valley Bank loan	5.25%	Aug 2018	-	788
US\$2.4m Silicon Valley Bank loan	5.25%	Aug 2018	-	983
			<u>-</u>	<u>1,771</u>

On 11 September 2013, the company entered into a US\$3m working capital line and also a US\$3.5m loan facility with Silicon Valley Bank. The loan facility of \$3.5m was fully drawn down on 1 December 2013. It was secured and accrued interest at 6% pa. repayable in monthly instalments over 36 months with a 4 month initial capital repayment holiday. At the same time, the company issued a warrant instrument to Silicon Valley Bank to purchase up to 295,440 of Series C Preference shares at a price calculated in accordance with the terms of the warrant instrument equating approximately to the estimated share price at the date of issue.

On 2 December 2014, the company refinanced the above loan, repaying \$2.6m by drawing down a new \$2.6m loan with Silicon Valley Bank as part of a new larger \$5m facility. The new loan is secured and accrues interest at 5.25% pa. repayable in monthly instalments over 36 months with a 9 month initial capital repayment holiday.

On 30 September 2015, the company drew down the remaining part of the \$5m facility by drawing down a loan of \$2.4m from Silicon Valley Bank. The new loan is secured and accrues interest at 5.25% pa. repayable in monthly instalments over 36 months with no initial capital repayment holiday.

The company's loan facility was further amended and restated in May, 2016, It was paid in full on 18, August, 2017 as noted in Events Since the Balance Sheet Date.

Notes to the consolidated financial statements

For the year ended 31 December 2016

13. Issued capital

Ordinary shares called up and fully paid

	<i>As at 31 December 2016</i>		<i>As at 31 December 2015</i>	
<i>Ordinary shares issued and fully paid</i>	<i>Thousands</i>	<i>£</i>	<i>Thousands</i>	<i>£</i>
Ordinary shares of £0.000005 each	41,502	207	40,830	203
A Preference shares of £0.000005 each	27,176	136	27,176	136
B Preference shares of £0.000005 each	35,829	179	35,829	179
C Preference shares of £0.000005 each	38,350	192	38,350	192
D Preference shares of £0.000005 each	24,567	123	24,567	123
Totals	167,424	837	166,752	833

Share options over the Ordinary shares were exercised during the year and 671,770 (2015: 2,279,858) Ordinary shares were issued as a result of this. The total consideration paid for these shares was £51,202 (2015: £63,674).

The Ordinary shares and the A, B, C and D Preference shares rank parri passu in many respects, however the A Preference shares also entitle the holders to a degree of priority on a liquidation or other return of capital, in accordance with the company's Articles of Association. The A, B, C and D Preference shares are non-redeemable and can be converted into Ordinary shares at any time at the option of the preferred shareholder.

14. Share based payments

The expense recognised for share based payments during the year is shown in the following table:

	<i>Year ended 31 December 2016</i>	<i>Year ended 31 December 2015</i>
	<i>£'000</i>	<i>£'000</i>
Employee share option plans	236	341
Warrants issued to Silicon Valley Bank and to Torch Capital	18	18
	<u>254</u>	<u>359</u>

Employee share option plans

The group operated an equity settled employee share option plan during the reporting period. There were no cash settled schemes during the period. The exercise price of the share options was equal to the estimated market price of the underlying shares on the date of grant. The share options vested 25% over their initial period and then in monthly instalments over next 3 years provided the individual remained in employment or under contract on the vesting date.

There were no performance conditions associated with these options. The fair value of the options was estimated at the grant date using the Black Sholes option pricing model, taking into account the terms and conditions upon which the share options were granted. The contractual term of each option was four years. There were no cash settlement alternatives and therefore the credit entry corresponding to the share option expense has been credited directly to retained earnings.

Notes to the consolidated financial statements

For the year ended 31 December 2016

Share option movements in the year

The following table illustrates the number of, and movements in, share options during the year:

	Number	WAEP (£)
Outstanding at 1 January 2016	19,200,169	0.10
Granted during the year	7,632,525	0.06
Forfeited during the year	(3,354,844)	0.09
Exercised during the year	(671,770)	0.07
Outstanding at 31 December 2016	<u>22,806,080</u>	
Outstanding at 31 December 2016	<u>22,806,080</u>	
Exercisable at 31 December 2016	<u>22,806,080</u>	

The weighted average fair value of share options granted during the prior period determined using the Black-Scholes valuation model was as follows:

Variable	December 2015	December 2016
Grant Price	£0.11	£0.07
Market Price	£0.11	£0.07
Dividend Yield	0%	0%
Expected Life (years)	6	6
Risk-free rate	1.71%	1.66%
Unvested Forfeiture Rate	27.45%	27.45%
Volatility	47.58%	47.58%
Weighted Average Fair value	£0.05	£0.03

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome either.

Warrants

Two warrant instruments have been issued, one to Silicon Valley Bank and one to Torch Capital as part consideration for the loan facilities made available to the group as described more fully in note 12. The first warrant was issued to Torch Capital on 5 May 2010 for an exercise amount of £64,045 the second was issued to Silicon Valley bank on 11 September 2013 for an exercise amount of £116,640. The price payable per share was the estimated market price per share at the respective dates of issue. The fair value of the warrant expense is calculated based on a straight-line amortisation of the warrants over their terms, which are ten years. This cost has been charged to finance costs (see note 5) in the profit and loss account in 2016 of £18,000 (2015: £18,000). The credit entry corresponding to the warrant expense has been credited directly to retained earnings.

Notes to the consolidated financial statements

For the year ended 31 December 2016

15. Related party transactions

The parent company and ultimate controlling entity of the group is Ninian Solutions Limited. Note 8 provides information about the group's structure, including details of the subsidiary. Transactions between the parent and its subsidiary, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The group considers its key management personnel to be the directors of the parent company and members of the Executive Committee. Key management personnel remuneration includes the following expenses:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Short term employee benefits:		
Salaries including bonuses	514	520
Employer related Tax	32	54
Other benefits	28	20
Fees	-	-
	<u>574</u>	<u>594</u>
Post-employment benefits:		
Defined benefit pension plans	8	16
	<u>582</u>	<u>604</u>
Termination benefits	-	-
Share based payments	-	-
Total remuneration	<u>582</u>	<u>604</u>

16. Commitments

Operating lease commitments

Total minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December 2016 £'000	As at 31 December 2015 £'000
Operating leases payment due:		
In two to five years	2,552	703
In over five years	2,836	-
	<u>5,388</u>	<u>703</u>

Notes to the consolidated financial statements

For the year ended 31 December 2016

17. Financial risk management

Financial assets

	As at 31 December 2016 £'000	As at 31 December 2015 £'000
Current assets		
Trade receivables	2,318	2,261
Cash and cash equivalents	2,337	7,515
Other receivables	1,682	364
	6,337	10,140

There were no non-current financial assets as at 31 December 2016 (2015: nil).

Loans and receivables are non-derivative financial assets. The carrying value may be affected by changes in the credit risk of the counterparties.

Management assessed that the carrying value of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their fair values largely due to the short-term maturities of these instruments.

Financial liabilities

Interest bearing loans and borrowings

			As at 31 December 2016 £'000	As at 31 December 2015 £'000
	<i>Interest rate %</i>	<i>Maturity</i>		
Liabilities				
Current:				
<i>Other loans:</i>				
US\$2.6m Silicon Valley Bank loan	5.25%	Aug 2018	-	785
US\$2.4m Silicon Valley Bank loan	5.25%	Aug 2018	-	540
US\$5.0m Silicon Valley Bank Loan (Consolidate)	5.25%	Aug 2018	2,371	-
			2,371	1,325
Non-current:				
US\$2.6m Silicon Valley Bank loan	5.25%	Aug 2018	-	788
US\$2.4m Silicon Valley Bank loan	5.25%	Aug 2018	-	983
			-	1,771

Fair Values

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Management assessed that the carrying value of the interest bearing loans and borrowings approximate their fair values largely due to the short-term maturities of these instruments.

All loans are classed as Level 2 in the fair value hierarchy.

Notes to the consolidated financial statements

For the year ended 31 December 2016

Trade and other payables

		2016	2015
	<i>Maturity</i>	<i>£'000</i>	<i>£'000</i>
Trade payables	Payable within 1 year	875	636
Other payable	Payable within 1 year	55	216
Accruals	Payable within 1 year	527	324
		<u>1,457</u>	<u>1,176</u>

Financial risk management objectives and policies

The group's financial instruments comprise cash, loans, borrowings and liquid resources, as well as various items such as trade receivables and trade payables that arise directly from its operations.

The group does not enter into derivatives or hedging transactions.

The main risks arising from the group's financial instruments are investment risk, interest rate risk and liquidity risk. The group also has exposure to foreign currency risk. The board reviews policies for managing each of these risks, and they are summarised as follows:

Interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the group's profit before tax (through the impact on floating rate borrowings):

	<i>Increase/decrease in basis points</i>	<i>Effect on profit before tax</i>
2016		£000
<i>Sterling</i>	+ 100	(30)
<i>Sterling</i>	- 100	30
2015		
<i>Sterling</i>	+ 100	(24)
<i>Sterling</i>	- 100	24

Notes to the consolidated financial statements

For the year ended 31 December 2016

Liquidity risk

The group's policy is to finance its operations and expansion through working capital and, if appropriate, to raise additional equity capital.

The table below summarises the maturity profile of the group's financial liabilities as at 31 December 2016 and 31 December 2015 based on contractual (undiscounted) payments.

<i>Year ended 31 December 2016</i>	<i>Total</i>	<i>On demand</i>	<i>Up to 1 year</i>	<i>1-2 years</i>	<i>2-5 years</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Interest-bearing loans and borrowings	2,371	-	2,371	-	-
Trade payables	875	-	875	-	-
Other financial liabilities	7,425	-	7,425	-	-
Other	-	-	-	-	-
<i>Year ended 31 December 2015</i>	<i>Total</i>	<i>On demand</i>	<i>Up to 1 year</i>	<i>1-2 years</i>	<i>2-5 years</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Interest-bearing loans and borrowings	3,611	-	1,545	1,203	863
Trade payables	636	-	636	-	-
Other financial liabilities	7,280	-	7,280	-	-
Other	-	-	-	-	-

The maturity profile of the group's financial assets as at both 31 December 2016 and 2015 was on demand in respect of cash balances and up to 1 year in respect of trade and other receivables.

The group aims to mitigate liquidity risk by managing cash generation by its operations. Investment is carefully controlled, with authorisation limits operating up to board level and cash payback periods applied as part of the investment appraisal process.

Credit risk

Credit risk is a risk that one or more counterparties will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. There are no significant concentrations of credit risk within the group. The maximum credit risk exposure relating to financial assets is trade receivables, represented by the carrying value as at the balance sheet date.

Customer credit risk is managed by each business unit, subject to the group's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored and any shipments to major customers are approved by management. The group evaluates the concentration of risk with respect to trade receivables as low, due to the fact that its customers are often also suppliers to the business.

There is no material difference between the fair values and book values of the group's trade receivables and no concerns relating to credit worthiness.

Capital management

The group manages its capital to ensure that entities with the group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt, cash and equity balances. The group's overall strategy remains unchanged from 2014.

The capital structure of the group consists of cash and equity, comprising issued capital, reserves and retained earnings.

The group is not subject to any externally imposed capital requirements.

The company's board reviews the capital structure of the group on a regular basis.

Notes to the consolidated financial statements

For the year ended 31 December 2016

Foreign currency risk

The group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The group monitors future foreign cash flow requirements and purchases currencies as required.

The carrying amounts of the group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting year are as follows:

	31 December 2016 US\$ 000	31 December 2016 Sterling 000	31 December 2015 US\$ 000	31 December 2015 Sterling 000
Cash and cash equivalents	1,949	752	4,675	4,357
Trade and other receivables	728	2,892	764	1,900
Trade payables	450	509	431	347
Other financial liabilities	-	-	-	-
Other	-	-	-	-
Interest-bearing loans and borrowings	2,917	-	4,583	-

18. Events after the reporting period

On 18 August 2017 the group was acquired by Turn/River Capital. Turn/River Capital acquired 100% of the group via purchase of the entire issued share capital of Ninian Solutions Limited. In addition, the company's loan facility was paid in full on 18 August 2017.

The company converted its inter-company debt to equity in Huddle Inc., effective December 2017.

Parent company accounts

As at 31 December 2016

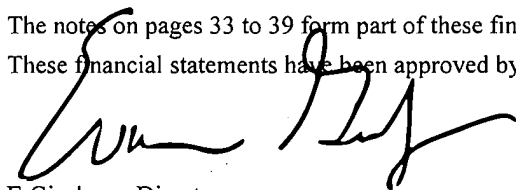
Company balance sheet

The accounts for the parent entity, Ninian Solutions Ltd (registered number: 05777111), are presented below.

		<i>As at 31 December 2016 £'000</i>	<i>As at 31 December 2015 £'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant & equipment	3	600	196
		<u>600</u>	<u>196</u>
Current assets			
Trade and other receivables	4	2,885	4,051
Cash and cash equivalents		1,939	7,385
		<u>4,824</u>	<u>11,436</u>
TOTAL ASSETS		<u>5,424</u>	<u>11,632</u>
EQUITY			
Issued share capital	7	1	1
Share Premium		39,471	39,420
Retained (deficit)/earnings		(44,621)	(38,219)
Equity attributable to equity shareholders of the parent		<u>(5,149)</u>	<u>1,202</u>
TOTAL EQUITY		<u>(5,149)</u>	<u>1,202</u>
LIABILITIES			
Current liabilities			
Trade and other payables	5	553	377
Other financial liabilities	5	7,216	6,957
Borrowings	6	2,371	1,325
		<u>10,140</u>	<u>8,659</u>
Non-current liabilities			
Borrowings	6	-	1,771
Other non-current liabilities		433	-
		<u>433</u>	<u>1,771</u>
TOTAL LIABILITIES		<u>10,573</u>	<u>10,430</u>
TOTAL EQUITY AND LIABILITIES		<u>5,424</u>	<u>11,632</u>

The notes on pages 33 to 39 form part of these financial statements.

These financial statements have been approved by the board of directors and signed on its behalf by:



E Ginsburg, Director
8 January 2018

Registered company number: 05777111

Parent company statement of changes in equity

For the year ended 31 December 2016

	<i>Notes</i>	<i>Issued share capital £'000</i>	<i>Share Premium £'000</i>	<i>Retained earnings/ (deficit) £'000</i>	<i>Total shareholders' equity £'000</i>
At 31 December 2014		1	39,356	(15,267)	24,090
Issue of shares	7	-	64	-	64
Share based payments charge		-	-	359	359
Loss for the period				(23,311)	(23,311)
At 31 December 2015		1	39,420	(38,219)	1,202
Issue of shares	7	-	51	-	51
Share based payments charge		-	-	254	254
Loss for the period		-	-	(6,656)	(6,656)
At 31 December 2016		1	39,471	(44,621)	(5,149)

The notes on pages 33 to 39 form part of these financial statements.

Notes to the parent company accounts

For the year ended 31 December 2016

1. Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Profit and Loss Account in these financial statements. The parent company's loss for the year was £6,656,000 (2015: £23,311,000 loss).

The parent company has also adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes
- financial instrument disclosures, including:
 - categories of financial instruments,
 - items of income, expenses, gains or losses relating to financial instruments, and
 - exposure to and management of financial risks
- the requirement to disclose related party transactions with entities within the wholly owned group. Where required, equivalent disclosures are given in the consolidated financial statements

Going concern

Based on current and forecasted performance, the directors expect there to continue to be sufficient cash headroom for at least 12 months from the date of approval of these financial statements. This is due to cash inflow as a result of the transaction with Turn/River Capital.

Furthermore, based on current and forecasted performance, the directors consider that the group will ultimately be profitable and cash generative. The directors have prepared forecasts which take into account the expected trading in the group and believe that these forecasts demonstrate that the group has adequate cash resources to continue to be able to pay its liabilities as they fall due for at least the next 12 months. Thus, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements

Significant accounting estimates, judgements and assumptions

The preparation of the company's financial statements requires management to make estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the statement of financial position date, amounts reported for revenues and expenses during the year, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liability affected in the future.

In the process of applying the company's accounting policies, management has made the following judgments and estimates which have the most significant effect on the amounts recognised in the financial statements:

Estimates

Impairment of financial assets

Management assess whether there are indicators of impairment of investment balances on an annual basis. Where there are indicators of impairment of individual assets, management estimate the recoverable amount of each asset based on expected future cash flows and use an appropriate interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Management assess the recoverability of loans, trade debtors and other receivable balances and record a provision to the extent that the balances are not considered recoverable.

Notes to the parent company accounts

For the year ended 31 December 2016

Judgements

Operating lease commitments

The company has entered into commercial property leases as a lessee. In doing so, it obtains the use of property, plant and equipment. The classification of such leases as operating or finance lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risk and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

Share based payments

The group operates an equity settled employee share option plan as more fully described in note 14. The fair value of the options granted has been estimated using a Black Scholes option pricing model using input variables estimated to be the most appropriate in the circumstances.

Provision for doubtful debts

The group makes appropriate and prudent provision for specific accounts receivable based on its judgement of accounts felt to be at risk.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Such cost includes the cost of replacing part of the property, plant and equipment when the cost is incurred, if the recognition criteria are met, in which case the carrying value of the replaced part is written off. All major repairs and maintenance costs are recognised in the income statement as incurred.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

Leasehold improvements	-	over lease term
Fixtures and fittings	-	3 years
Plant and machinery	-	3 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is de-recognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. The assets are reviewed for impairment if events or circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Impairment of non-financial assets

The company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. For further information, see note 2.

Impairment losses of continuing operations are recognised in the income statement as a highlighted item in the period in which they are incurred.

Loans and receivables

Loans and receivables are non-derivative financial assets with a fixed or determinable payment that are not quoted in an active market. After initial recognition loans and receivables are carried at amortised cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Notes to the parent company accounts

For the year ended 31 December 2016

Assets carried at amortised cost

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the company will not be able to collect all the amounts due under the original terms of the invoice. The carrying amount of the receivables is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectable.

Cash and cash equivalents

Cash and short term deposits in the statement of financial position comprise cash at bank and short term deposits with a maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial liabilities

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

De-recognition of liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which transfer to the company substantially all the risk and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the leased liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term.

Operating lease rentals, together with lease incentives are charged to the income statement on a straight-line basis over the term of the lease.

Provisions

Provisions are recognised when the company has a probable, present legal or constructive obligation to make a transfer of economic benefits as a result of past events where a reliable estimate is available. The amounts recognised represent the company's best estimate of the transfer of benefits that will be required to settle the obligation as of the balance sheet date. Provisions are discounted if the effect of the time value of money is material using a pre-tax market rate adjusted for risks specific to the liability.

Notes to the parent company accounts

For the year ended 31 December 2016

Share-based payments

Equity-settled transactions

The costs of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date of grant and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value is determined using the Black-Scholes pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting) conditions, other than performance conditions linked to the price of the shares of the company (market conditions). Any other conditions which are required to be met in order for the employee to become fully entitled to an award are considered non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market vesting condition or non-vesting condition is satisfied, provided that all service and non-market vesting conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of service and non-market vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition or a non-vesting condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the terms of the original award continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over the fair value of the settled award being treated as an expense in the income statement.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary difference associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

Notes to the parent company accounts

For the year ended 31 December 2016

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

2. Investments

Huddle Inc is Ninian Solutions' subsidiary company, the nature of the business is a Software as a Service company.

	As at 31 December 2016 £	As at 31 December 2015 £
<i>Investments in subsidiary companies</i>		
Huddle Incorporated (registered in USA, 100% owned ordinary shares)	67	67

3. Property, plant and Equipment

	<i>Leasehold Improvements</i> £'000	<i>Plant and machinery</i> £'000	<i>Fixtures and fittings</i> £'000	<i>Total</i> £'000
<u>Cost:</u>				
At 31 December 2014	155	97	342	594
Additions	-	17	116	133
At 31 December 2015	155	114	458	727
Additions	398	-	183	581
At 31 December 2016	553	114	641	1,308

Depreciation:

At 31 December 2014	69	97	235	401
Charge for the period	52	-	78	130
At 31 December 2015	121	97	313	531
Charge for the period	65	6	106	177
At 31 December 2016	186	103	419	708

Net Book value: **31 December 2016**

367	11	222	600
-----	----	-----	-----

Net Book value: 31 December 2015

34	17	145	196
----	----	-----	-----

Notes to the parent company accounts

For the year ended 31 December 2016

4. Trade and other receivables

	As at 31 December 2016 £'000	As at 31 December 2015 £'000
Amounts due from group undertakings	4,817	21,543
Less: impairment of receivable from group undertakings	(4,817)	(21,543)
Trade receivables	2,318	2,262
Other receivables	567	1,789
	<u>2,885</u>	<u>4,051</u>

Amounts due from group undertakings are interest bearing and repayable on demand. Due to uncertainties over the recoverability of the receivable from its subsidiary undertaking, Huddle Inc, the parent company has fully impaired the receivable.

5. Trade and other payables

	As at 31 December 2016 £'000	As at 31 December 2015 £'000
Trade payables	553	377
Other financial liabilities	7,216	6,957
	<u>7,769</u>	<u>7,334</u>

6. Borrowings

Interest bearing loans and borrowings

			As at 31 December 2016 £'000	As at 31 December 2015 £'000
Liabilities	Interest rate %	Maturity		
Current:				
<i>Other loans:</i>				
US\$2.6m Silicon Valley Bank loan	5.25%	Aug 2018	-	785
US\$2.4m Silicon Valley Bank loan	5.25%	Aug 2018	-	540
US\$5m Silicon Valley Bank loan	5.25%	Aug 2018	2,371	-
			<u>2,371</u>	<u>1,325</u>
Non-current:				
US\$2.6m Silicon Valley Bank loan	5.25%	Aug 2018	-	788
US\$2.4m Silicon Valley Bank loan	5.25%	Aug 2018	-	983
			<u>-</u>	<u>1,771</u>

Notes to the parent company accounts

For the year ended 31 December 2016

On 11 September 2013, the company entered into a US\$3m working capital line and also a US\$3.5m loan facility with Silicon Valley Bank. The loan facility of \$3.5m was fully drawn down on 1 December 2013. It was secured and accrued interest at 6% pa. repayable in monthly instalments over 36 months with a 4 month initial capital repayment holiday. At the same time, the company issued a warrant instrument to Silicon Valley Bank to purchase up to 295,440 of Series C Preference shares at a price calculated in accordance with the terms of the warrant instrument equating approximately to the estimated share price at the date of issue.

On 2 December 2014, the company refinanced the above loan, repaying \$2.6m by drawing down a new \$2.6m loan with Silicon Valley Bank as part of a new larger \$5m facility. The new loan is secured and accrues interest at 5.25% pa. repayable in monthly instalments over 36 months with a 9 month initial capital repayment holiday.

On 30 September 2015, the company drew down the remaining part of the \$5m facility by drawing down a loan of \$2.4m from Silicon Valley Bank. The new loan is secured and accrues interest at 5.25% p.a. repayable in monthly instalments over 36 months with no initial capital repayment holiday.

The company's loan facility was further amended and restated in May 2016, It was paid in full on 18 August 2017 as noted in Events Since the Balance Sheet Date.

7. Share Capital

Ordinary shares called up and fully paid

<i>Ordinary shares issued and fully paid</i>	<i>As at 31 December 2016</i>		<i>As at 31 December 2015</i>	
	<i>Thousands</i>	<i>£'000</i>	<i>Thousands</i>	<i>£</i>
Ordinary shares of £0.000005 each	41,502	207	40,830	203
A Preference shares of £0.000005 each	27,176	136	27,176	136
B Preference shares of £0.000005 each	35,829	179	35,829	179
C Preference shares of £0.000005 each	38,350	192	38,350	192
D Preference shares of £0.000005 each	24,567	123	24,567	123
Totals	167,424	837	166,752	833

Share options over the Ordinary shares were exercised during the year and 671,770 (2015: 2,279,858) Ordinary shares were issued as a result of this. The total consideration paid for these shares was £51,202 (2015: £63,674).

The Ordinary shares and the A, B, C and D Preference shares rank parri passu in many respects, however the A Preference shares also entitle the holders to a degree of priority on a liquidation or other return of capital, in accordance with the company's Articles of Association. The A, B, C and D Preference shares are non-redeemable and can be converted into Ordinary shares at any time at the option of the preferred shareholder.

8. Commitments

Operating lease commitments

Total minimum lease payments under non-cancellable operating leases are as follows:

	<i>As at 31 December 2016 £'000</i>	<i>As at 31 December 2015 £'000</i>
Operating leases payment due:		
In two to five years	2,552	185
In over five years	2,836	-
	<u>5,388</u>	<u>185</u>

Notes to the parent company accounts

For the year ended 31 December 2016