

Synchronica Limited

Annual Reports and Financial Statements

For the year ended

31 December 2017

Company Number 03276547

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Synchronica Limited

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Synchronica Limited

Officers and Professional Advisors

Director

Peter McCormack

Secretary

Iain Brown

Registered Office

76 King Street,
Manchester,
M2 4NH
United Kingdom.

Company Number

03276547

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Hardman Square
Manchester
M3 3EB

Synchronica Limited

Strategic Report

The Director presents his Strategic Report on the Company for the year ended 31 December 2017.

Principal activities

During the course of the year the principal activity of the Company remained the development and provision of mobile device management and messaging solutions, and their application in the Internet of Things (IoT) market.

Review of the business

During 2017 the Company has been focussed on developing new products and providing administrative support to other companies in the wider Myriad Group. Other income for the year includes claims submitted to HMRC in respect of Research and Development Expenditure Credits claimed in 2017 totalling USD 244,000. Additionally, during 2017 a fellow subsidiary, msngr AG was merged with the parent company, Myriad Group AG. The previously impaired intercompany receivable between Synchronica Limited and msngr AG was assumed, and set against, Synchronica Limited's payable balance to Myriad Group AG. This has led to exceptional income of USD 8,127,000 in 2017.

Non-financial risks

Technological change

The pace of technological change is rapid and the Company, as part of the wider Myriad Group, seeks to be part of this. The Company regularly monitors the activities of its competitors and continuously invests in product development. It is therefore considered unlikely that markets will develop without the Company responding.

Financial risk management

Credit control risk

The Company's customers are Group companies and present a low credit risk.

Liquidity and cash flow risk

The Company is funded through inter-group loans and trading agreements. The Company monitors its cash position on a daily basis and maintains a detailed rolling weekly cash flow forecast for three months ahead. The Company's annual budgets include a cash flow forecast. All of these documents are regularly reviewed by the Director. The Company's assets are principally funded by equity and cash in bank at the balance sheet date. Any obligations under borrowings are reviewed by the Director on a monthly basis.

Foreign currency risk

The main financial risk arising from the Company's operations is foreign currency risk as the Company pays the majority of its operating expenses in GBP. To mitigate this risk the Company has a GBP bank account. There were no foreign currency forward contracts outstanding at year end.

Interest rate risk

Interest rate risk arises from movements in interest rates, which could have adverse effects on the Company's net income or financial position. The Company has no significant interest rate exposure. The Company places its cash and cash equivalents primarily in short-term interest-bearing accounts. Revenue and operating cash flows are substantially independent of changes in market interest rates.

Future Developments

The Company employs all UK based staff employed by the wider Myriad Group, whose functions include research and development for the Group's Thingstream and Myriad Connect products and administrative support. Going forward the majority of the Company's revenue is expected to be earned from outsourced R&D and management services to Group companies.

Synchronica Limited

Strategic Report (continued)

Key Performance Indicators (“KPIs”)

The Board uses the following KPIs to monitor the performance of the business:

	2017 USD'000	2016 USD'000
Revenue	7,836	11,129
Profit/(Loss) before income tax	5,532	(3,415)
Cash and cash equivalent	857	1,667

Signed on behalf of the Board



Peter McCormack

Director

29th May 2018

Synchronica Limited

Director's Report

The Director presents his report and the audited financial statements of the Company for the year ended 31 December 2017.

General Information

Synchronica Limited is a limited company incorporated and domiciled in England under the Companies Act 2006. It is a subsidiary of Myriad Group AG, the ultimate parent company of the Group.

Future developments

An indication of the likely future developments of the business is included in the Strategic Report on page 3.

Political and charitable contributions

The Company made no political or charitable contributions during the year (2016: USD nil).

Results and dividends

The profit for the year was USD 5,483,000 (2016 loss: USD 3,521,000).

No dividend is proposed for the year ended 31 December 2017 (2016: USD nil).

Financial risk management

Financial risk management is described in the Strategic Report on page 3.

Director and Director's interests

The Director of the Company who was in office during the year and up to the date of signing the financial statements was as follows:

Peter McCormack

Director's indemnities

The Company maintained throughout the year, and at the date of approval of the financial statements, liability insurance for its Director and officers. This is a qualifying provision for the purposes of the Companies Act 2006.

Substantial shareholdings

Synchronica Limited is a wholly-owned subsidiary of Myriad Group AG.

Research and Development

During the year the Company focussed on carrying out research and development activities to support the development of Thingstream and Myriad Connect products in the Myriad Group. During 2017 USD 2,146,000 (2016: USD 3,459,000) was spent on research and development.

Director's responsibilities statement

The Director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Director 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 the financial statements, the Director is required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Director is 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.

The Director is 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.

Synchronica Limited

Director's Report (continued)

Going concern

The Director believes that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Myriad Group AG. The Director has received confirmation that Myriad Group AG intend to support the Company for at least one year after these financial statements are signed.

Disclosure of information to auditors

At the date of making this report, the Company's Director, as set out on page 5, confirms the following:

- so far as the Director is aware, there is no relevant information needed by the Company's auditors in connection with preparing their report of which the Company's auditors are unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP have expressed their willingness to continue in office and a resolution to appoint auditors will be proposed at the annual general meeting.

Approval

The Director's report was approved by the Board and signed on its behalf by:



Peter McCormack
Director

29th May 2018

Synchronica Limited

Independent Auditors' report to the members of Synchronica Limited

Report on the audit of the financial statements

Opinion

In our opinion, Synchronica Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the income statement, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Director's Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Director's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Director's Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

Synchronica Limited

Independent Auditors' report to the members of Synchronica Limited (continued)

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Director's Report.

Responsibilities for the financial statements and the audit

Responsibilities of the director for the financial statements

As explained more fully in the Director's Responsibilities Statement, the director is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The director is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

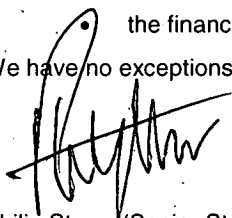
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Philip Storer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
30 May 2018

Synchronica Limited

Income Statement

For the year ending 31 December 2017

USD'000	Note	Year ending 31 December	
		2017	2016
Revenue	5	7,836	11,129
Cost of revenue		(1,294)	(1,922)
Gross profit		6,542	9,207
Research and development, net of capitalized costs		(2,146)	(3,459)
Sales and marketing		(1,603)	(1,849)
General and administrative		(2,578)	(3,437)
Exceptional items	10	8,127	(6,859)
Other income	11	244	416
Other expense	11	(29)	-
Profit/(Loss) from operations	6	8,557	(5,981)
Finance costs	12	(3,025)	(197)
Finance income	12	-	2,763
Profit/(Loss) before income tax		5,532	(3,415)
Income tax expense	13	(49)	(106)
Profit/(Loss) for the year		5,483	(3,521)

The above results all relate to continuing activities.

The notes on pages 13 to 28 form an integral part of these financial statements.

The Company has no comprehensive income in the current and prior year other than results included above and therefore no separate statement of other comprehensive income has been prepared.

Synchronica Limited

Statement of Financial Position As at 31 December 2017

	Note	2017 USD'000	2016 USD'000
Non-current assets			
Intangible assets	14	-	-
Property, plant and equipment	15	20	58
Investments in subsidiaries	16	2	2
Total non-current assets		22	60
Current assets			
Receivables	17	419	270
Cash and cash equivalents	18	857	1,667
Total current assets		1,276	1,937
Total assets		1,298	1,997
Current liabilities			
Trade and other payables	20	42,806	48,988
Total current liabilities		42,806	48,988
Total liabilities		42,806	48,988
Equity and reserves			
Ordinary shares	24	37,404	37,404
Share premium		34,641	34,641
Merger reserve		5,975	5,975
Accumulated losses		(119,528)	(125,011)
Total equity		(41,508)	(46,991)
Total equity and liabilities		1,298	1,997

The notes on pages 13 to 28 form an integral part of these financial statements.

The financial statements on pages 9 to 28 were approved by the Board of Directors and were signed on its behalf by:



Peter McCormack
Director
29th May 2018

Synchronica Limited

Statement of Cash Flows For the year ending 31 December 2017

	Note	2017 USD'000	2016 USD'000
Cash flows from operating activities			
Profit/(Loss) before income tax		5,532	(3,415)
Adjusted for:			
Depreciation	15	39	48
Amortisation of intangibles	14	-	65
Doubtful debt income		-	(227)
Doubtful debt (income)/expense against intercompany loan	10	(8,127)	7,505
Other non-cash income	10	-	(419)
Net finance costs/(income)	12	3,025	(2,566)
Cash flows generated from operating activities before changes in working capital		469	991
(Increase)/decrease in receivables		(149)	422
Decrease in payables		(1,080)	(1,317)
Income taxes paid		(49)	(22)
Net cash (used in)/generated from operating activities		(809)	74
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(1)	(28)
Net cash used in investing activities		(1)	(28)
Cash flows from financing activities			
Finance costs paid		-	(197)
Net cash used in financing activities		-	(197)
Net decrease in cash and cash equivalents		(810)	(151)
Cash and cash equivalents at 1 January	18	1,667	1,818
Cash and cash equivalents at 31 December	18	857	1,667

The notes on pages 13 to 28 form an integral part of these financial statements.

Synchronica Limited

Statement of Changes in Equity For the year ending 31 December 2017

The Company	Ordinary shares USD'000	Share premium USD'000	Merger reserve USD'000	Accumulated losses USD'000	Total equity USD'000
At 1 January 2016	37,404	34,641	5,975	(121,490)	(43,470)
Loss for the year	-	-	-	(3,521)	(3,521)
At 31 December 2016	37,404	34,641	5,975	(125,011)	(46,991)
Profit for the year	-	-	-	5,483	5,483
At 31 December 2017	37,404	34,641	5,975	(119,528)	(41,508)

The notes on pages 13 to 28 form an integral part of these financial statements.

Synchronica Limited

Notes to the Financial Statements For the year ending 31 December 2017

1 General information

Synchronica Limited is incorporated and domiciled in England under the Companies Act 2006. The address of its registered office is 76 King Street, Manchester, M2 4NH.

These financial statements are presented in US dollars, which represents the functional currency of the Company.

2 Significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRS Interpretations Committee and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

The Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements, as it is itself a wholly-owned subsidiary of Myriad Group AG, a company registered in Switzerland, which has produced group financial statements. Accordingly, these financial statements present information about the Company as an individual undertaking and are presented in US Dollars. The consolidated financial statements of Myriad Group AG can be obtained from the address given in note 26.

Going concern

These financial statements have been prepared on the going concern basis which is supported by detailed monthly cash flow and trading forecasts covering the period to 30 June 2019 and a medium-term business plan thereafter. The Director is of the opinion that the going concern basis is appropriate given the continued financial support of its immediate and ultimate parent company, Myriad Group AG. The Director has received confirmation that Myriad Group AG intend to support the Company for at least one year after these financial statements are signed.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Company

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2017 and have been consistently applied:

IAS 7 (amendments) 'Statement of Cash Flows' comes with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. To achieve this objective, the International Accounting Standards Board (IASB) requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

IAS 12 (amendments) 'Income Taxes' clarifies when a deferred tax asset should be recognised for unrealised losses on debt instruments. They are effective for annual periods beginning on or after 1 January 2017. There is no expected impact on the financial statements of the Company.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2017 are not material to the Company.

(b) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except the following set out below:

IFRS 9 'Financial Instruments' is the finalised version of the standard, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition and is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted (subject to local endorsement requirements). There is no expected impact on the financial statements of the Company.

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Notes to the Financial Statements (continued) For the year ending 31 December 2017

2 Significant accounting policies (continued)

IFRS 15 'Revenue from Contracts with Customers' deals with revenue recognition and established principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018. Management have performed a preliminary assessment of the potential impact of the new standard on the basis of the Company's current revenue streams and do not expect it to have a material impact on the Company's existing revenue recognition policies.

IFRS 16 'Leases' specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 applies to annual reporting periods beginning on or after 1 January 2019.

There are no other IFRSs or IFRS interpretations that are not yet effective that would be expected to have a material impact on the Company.

Foreign currencies

Transactions entered into by the Company in a currency other than the currency of the primary economic environment in which it operates (its "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

The net foreign exchange result is disclosed in the finance income or finance cost line.

Intercompany revenue

The Company recharges certain costs to other companies with the Group. The revenue associated with these recharges are recognised as the costs to which they relate are incurred.

Grant income

Government grants for expenses already incurred with no future related costs are recognised in the income statement in the period in which it becomes receivable. Synchronica Limited is eligible to receive such income in respect of its R&D expenditure under the R&D tax relief scheme.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the management team consisting of the Director.

Leases

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight line basis.

Investments

Investments in subsidiaries are stated at cost less provision for impairment where necessary to reduce book value to recoverable amount. Cost is purchase price including acquisition expenses, but excluding any payment for accrued interest or fixed dividend entitlement.

Intangible assets – other intangible assets

Software is shown at historical cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the following estimated useful lives:

- Software – 5 years

Synchronica Limited

Notes to the Financial Statements (continued) For the year ending 31 December 2017

2 Significant accounting policies (continued)

Impairment

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on the risks specific to the asset(s). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses if applicable. Depreciation on property, plant and equipment is charged on an asset's residual value over its useful economic life as follows:

IT Infrastructure	—	up to 3 years
Fixtures, fittings and equipment	—	up to 5 years
Leasehold improvements	—	up to 5 years

Residual values and useful lives are reviewed and adjusted, if appropriate, at each Statement of Financial Position date.

Share capital

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares are classified as equity instruments. The Company considers its capital to comprise its ordinary share capital, share premium, merger reserve and accumulated retained earnings. There have been no changes in what the Company considers to be capital since the previous period.

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

Cash and cash equivalents

For the purpose of preparation of the cash flow statement, cash and cash equivalents include cash at bank and in hand and short-term deposits with an original maturity period of three months or less.

Exceptional items

Exceptional items are items of income and expense that, in the judgement of management, should be disclosed separately on the basis that they are material, either by their nature or their size, to an understanding of our financial performance and distort the comparability of our financial performance between periods.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Comprehensive Income within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written-off are credited against administrative costs in the Statement of Comprehensive Income.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Synchronica Limited

Notes to the Financial Statements (continued) For the year ending 31 December 2017

2 Significant accounting policies (continued)

Employee benefits – pension obligations

A pension fund in favour of employees is maintained in the United Kingdom. It complies with the respective legislation in and is financially independent of the Company. The pension funds is generally financed by employer and employee contributions. This pension plan, is accounted for as a defined contribution plans. Employer contributions paid or due are recognised in the income statement as employee benefit expense when they are due. The Company has no further payment obligations once the contributions have been paid.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items which are not taxed or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the Statement of financial position date.

The Company incurs non-refundable withholding taxes on licence revenue earned in certain countries. In all of these situations the Company has a contractual right to receive a gross licence fee payment. The payment made by the customer in these cases is reduced by withholding taxes, typically in the range of 10-20%, which are paid by the customer to the local tax authorities. IAS 12 only refers to withholding taxes in the context of dividends or distributions to the reporting entity. In this situation it is appropriate to recognise revenue receivable in the income statement at an amount that includes (that is, gross of) any withholding taxes, but excludes any other taxes not payable wholly on behalf of the recipient. The Company treats these withholding tax deductions as an income tax paid on behalf of the Company due to its non-resident status in the local jurisdiction and includes the deduction in the income tax charge.

Deferred income tax is accounted for using the liability method in respect of temporary differences arising from differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference is due to goodwill arising on a business combination or from an asset or liability, the initial recognition of which does not affect either taxable or accounting income.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the Statement of Financial Position date. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items credited or charged directly to shareholders' equity, in which case the deferred tax is also dealt with within shareholders' equity.

Dividends

Final dividends are recognised as a liability in the period in which they are approved by the Company's shareholders. Interim dividends are recognised when they are paid.

3 Critical accounting estimates and judgements

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

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates may not equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Income tax

Current tax liabilities are measured on the basis of an interpretation of the tax regulations in place in the relevant countries. Management believes that the estimates are reasonable and that the recognised assets and liabilities taking into account income tax-related uncertainties are adequate. Various internal and external factors may have favourable or unfavourable effects on the income tax assets and liabilities. The adequacy of this interpretation is assessed by the tax authorities in the course of the final assessment or tax audits. This can result in material changes to tax expense. Furthermore, in order to determine whether tax loss carry-forwards may be carried as an asset, it is first necessary to critically assess the probability that there will be future taxable profits against which to offset them. This assessment depends on a variety of influencing factors and developments. Changes in these factors may have a material effect on the income tax charge.

Synchronica Limited

Notes to the Financial Statements (continued) For the year ending 31 December 2017

4 Financial risk management

Capital management

The Company's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company monitors capital on the basis of the net debt: equity ratio.

Treasury management

Company treasury policies are reviewed and approved by the Board. The objectives of Company treasury policies are to ensure that adequate financial resources are available for development of the business while at the same time managing financial risks. Derivative financial instruments are used to reduce financial risk exposures arising from the Company's business activities and not for speculative purposes.

The Company's treasury activities are managed by the Company finance function under the direction of the Chief Financial Officer. The Chief Financial Officer reports to the Board on the implementation of Company treasury policy.

The Company's business activities expose it to a variety of financial risks that include:

- price risk;
- liquidity risk;
- credit risk;
- interest rate risk; and
- currency risk

Price risk

The Company has set prices for its products which only senior management can adjust.

Liquidity risk

The Company monitors its cash position on a daily basis and maintains a detailed rolling weekly cash flow forecast for three months ahead. The Company's annual budgets include a cash flow forecast. All of these documents are regularly reviewed by the Director. The Company's assets are principally funded by equity and cash in bank at the balance sheet date. Any obligations under borrowings are reviewed by the Director on a monthly basis.

Credit risk

The amounts of trade receivables presented in the Statement of Financial Position are net of allowances for doubtful accounts estimated by management based on prior experience and their assessment of the current economic environment. Currently the Company derives revenue from internal sources which presents a low credit risk.

Interest rate risk

Interest rate risk arises from movements in interest rates, which could have adverse effects on the Company's net income or financial position. The Company has no significant interest rate exposure. The Company places its cash and cash equivalents primarily in short-term interest-bearing accounts. Revenue and operating cash flows are substantially independent of changes in market interest rates.

Currency risk

The main financial risk arising from the Company's operations is foreign currency risk as the Company pays its staff and other operating expenses largely in GBP. To mitigate this risk the Company has a GBP bank account. There were no foreign currency forward contracts outstanding at year end.

Fair value estimation

The fair values of cash and cash equivalents, receivables, payables and borrowings with a maturity of less than one year are assumed to approximate to their book values.

Synchronica Limited

Notes to the Financial Statements (continued) For the year ending 31 December 2017

5 Revenue

	2017 USD'000	2016 USD'000
Revenue arising from:		
Intercompany revenue	7,836	11,129
	7,836	11,129

6 Profit/(loss) from operations

	2017 USD'000	2016 USD'000
Profit/(loss) from operations is arrived at after charging:		
Depreciation of property, plant and equipment (note 15)	39	48
Amortisation of intangible assets (note 14)	-	65
Research & development	2,146	3,459
Operating lease rentals – land and buildings	200	224

Auditors' remuneration in 2017 of USD 34,000 (2016: USD 70,000) has been borne and paid by the parent company, Myriad Group AG. No other fees are payable to the Company's auditors for other services provided to the Company.

7 Employees

Average monthly number of employees in the Company, including Executive Directors:

	2017 Number	2016 Number
Product development	19	25
Sales, marketing and administration	15	20
	34	45

	2017 USD'000	2016 USD'000
Staff costs, including Executive Directors:		
Wages and salaries	3,950	5,302
Social security costs	456	839
Other personnel-related costs	38	39
Other pension cost	93	155
	4,537	6,335

Synchronica Limited

Notes to the Financial Statements (continued) For the year ending 31 December 2017

8 Director's remuneration

	2017 USD'000	2016 USD'000
Remuneration of the Executive Directors:		
Emoluments	281	770
	281	770
 Highest paid Director's emoluments	 281	 473

9 Segmental reporting

As all of the Company's turnover is generated through the provision of services to Group companies, the Director deems there to be only one segment.

10 Exceptional items

	2017 USD'000	2016 USD'000
Impairment reversal against intercompany receivables	8,127	-
Impairment against intercompany receivables	-	(7,278)
Release of pre-acquisition balances	-	419
	8,127	(6,859)

During 2017 a fellow subsidiary, msngr AG was merged with the parent company, Myriad Group AG. The previously impaired intercompany receivable between Synchronica Limited and msngr AG was assumed and set against Synchronica Limited's payable balance to Myriad Group AG. This has led to exceptional income of USD 8,127,000 in 2017.

During 2016 accrued expenses that had been carried forward from 2012 were released. These balances were derecognised as given the passage of time these are no longer considered to be probable cash outflows.

Synchronica Limited

Notes to the Financial Statements (continued) For the year ending 31 December 2017

11 Other income

	2017 USD'000	2016 USD'000
Other income:		
Income from government grants	244	414
Other income	-	2
Total other income	244	416
Other expense:		
Other expense:	(29)	-
Total other expense	(29)	-
Total other income and expense	215	416

Synchronica Limited is eligible to receive R&D tax credits, under the R&D expenditure tax relief scheme. Income is recognised once the claim has been submitted and future receipt becomes reasonably certain. During 2017 USD 244,000 of grant income was recognised in respect of the 2016 claim (2016: USD 414,000).

12 Finance income/costs

	2017 USD'000	2016 USD'000
•		
Foreign exchange gains, net	-	2,763
Finance income	-	2,763
Other finance costs	(5)	(17)
Interest expense	-	(180)
Foreign exchange losses, net	(3,020)	-
Finance costs	(3,025)	(197)
Net finance costs	(3,025)	2,566

Synchronica Limited

Notes to the Financial Statements (continued) For the year ending 31 December 2017

13 Income tax expense

	2017 USD'000	2016 USD'000
Income tax		
Current tax on profits for the year	(67)	(87)
Adjustments in respect of previous years	18	-
Withholding tax	-	(19)
Total tax expense	(49)	(106)

The Company's profit before tax differs from the theoretical amount that would arise using the standard tax rate applicable to results as follows:

	2017 USD'000	2016 USD'000
Profit/(loss) before income tax	5,532	(3,415)
Standard tax at UK corporation tax rate 19.75% (2016: 20.00%)	1,093	(683)
Effects of:		
– Expenses not deductible for tax purposes	-	657
– Tax losses for which no deferred income tax asset was recognised	560	26
– non-taxable income	(1,653)	-
– Effect of R&D tax credits	49	87
– withholding tax	-	19
Actual tax expense	49	106

Factors affecting current and future tax charges.

As at the 31 December 2017, the Company has an unrecognised deferred tax asset in respect of tax losses totalling USD 12,643,000 (2016: USD 14,209,000) and non-trade loan relationship deficits totalling USD 19,000 (2016: USD 62,000).

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

Synchronica Limited

Notes to the Financial Statements (continued) For the year ending 31 December 2017

14 Intangible assets

Software
USD'000

Cost or valuation

At 1 January 2016	802
Derecognised	(44)
At 1 January 2017	758
Disposals	-
At 31 December 2017	758

Accumulated Amortisation

At 1 January 2016	737
Charged in year	65
Derecognised	(44)
At 1 January 2017	758
Charged in year	-
Disposal	-
At 31 December 2017	758

Net book value

At 1 January 2016	65
At 1 January 2017	-
At 31 December 2017	-

Amortisation has been disclosed within general and administrative expenses on the face of the income statement.

Synchronica Limited

Notes to the Financial Statements (continued) For the year ending 31 December 2017

15 Property, plant and equipment

	IT infrastructure USD'000	Fixtures and fittings USD'000	Leasehold Improvements USD'000	Total USD'000
Cost or valuation				
At 1 January 2016	725	13	86	824
Additions	28	-	-	28
Disposals	(582)	(13)	-	(595)
At 1 January 2017	171	-	86	257
Additions	1	-	-	1
Disposals	-	-	(86)	(86)
At 31 December 2017	172	-	-	172
Accumulated Depreciation				
At 1 January 2016	652	8	86	746
Charged in year	43	5	-	48
Disposals	(582)	(13)	-	(595)
At 1 January 2017	113	-	86	199
Charged in year	39	-	-	39
Disposals	-	-	(86)	(86)
At 31 December 2017	152	-	-	152
Net book value				
At 1 January 2016	73	5	-	78
At 1 January 2017	58	-	-	58
At 31 December 2017	20	-	-	20

Synchronica Limited

Notes to the Financial Statements (continued) For the year ending 31 December 2017

16 Investments in subsidiaries

USD'000

Impaired cost	
At 1 January 2016	2
At 1 January 2017	2
At 31 December 2017	2

The subsidiaries of Synchronica Limited are as follows:

	Country of incorporation	Registered address	Function	Proportion of ownership Interest at 31 December 2017	Proportion of ownership interest at 31 December 2016
Synchronica Philippines Inc.	Philippines	36/F Rufino Pacific Tower 6784 Ayala Avenue, Makati City, Philippines	Non Trading	100%	100%
Axis Mobile Limited	Israel	32B Habarzel Street, Tel Aviv 69710, Israel	Dormant	100%	100%
Synchronica Mobile Gateway Pty Limited	India	A-107, Rock Avenue Plot D, Near Hindustan Naka, Kandivali (West), Mumbai - 400067 India	Non Trading	100%	100%

17 Receivables

	2017 USD'000	2016 USD'000
Other receivables	347	166
Total financial assets other than cash and cash equivalents classified as loans and receivables	347	166
Prepayments not classified as financial assets	72	104
Trade and other receivables	419	270

18 Cash and cash equivalents

	2017 USD'000	2016 USD'000
Cash at banks and petty cash	857	1,667
Total	857	1,667

Synchronica Limited

Notes to the Financial Statements (continued) For the year ending 31 December 2017

19 Credit risk

Movement on the provision for impairment of trade receivables are as follows:

	2017	2016
	USD'000	USD'000
At 1 January	-	283
Release of provisions for impairment of receivables	-	(130)
New provisions in the year	-	2
Receivables written-off in the year as uncollectible	-	(155)
At 31 December	-	-

The Company's exposure to credit risk, by class of financial instrument, is shown in the table below:

	2017	2016
	USD'000	USD'000
Loans and receivables		
Other receivables	347	166
Cash and cash equivalents	857	1,667
Accrued income and prepayments	72	104
	1,276	1,937

Synchronica Limited

Notes to the Financial Statements (continued) For the year ending 31 December 2017

20 Trade and other payables

	2017 USD'000	2016 USD'000
Trade payables	158	95
Amounts due to group undertakings	41,613	47,754
Accruals	880	920
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	42,651	48,769
Other taxation and social security taxes	155	218
Other payables	-	1
Trade and other payables	42,806	48,988

All amounts due to group undertakings are unsecured, interest-free and repayable on demand.

21 Liquidity risk

The following table analyses the Company's financial liabilities which will be settled in the relevant maturity groupings based on the remaining period on the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

	Less than 3 months USD'000	Between 3 and 6 months USD'000	More than 6 months USD'000
At 31 December 2017			
Financial liabilities measured at amortised cost	42,651	-	-
At 31 December 2016			
Financial liabilities measured at amortised cost	48,769	-	-

22 Currency risk

The US dollar equivalent of foreign currency liabilities held at the year end is as follows:

	2017 USD'000	2016 USD'000
GBP	(1,143)	(1,631)
EUR	60	(20)
CAD	(1)	(1)
USD	(140)	792
	(1,224)	(860)

The effect of a 10% movement in the value of Euro against the US Dollar in either direction at the Statement of Financial Position date would, all other variables held constant, result in a movement in the profit for the year of USD 6,000 (2016: USD 2,000). The effect of a 10% movement in the value of Sterling against the US dollar at the Statement of Financial Position date would, all other variables held constant, result in a movement in the profit for the year of USD 114,000 (2016: USD 163,000). The effect of a 10% movement in the value of CAD against the US dollar in either direction at the Statement of Financial Position date would, all other variables held constant, result in a movement in the profit for the year of USD 100 (2016: USD 100).

Synchronica Limited

Notes to the Financial Statements (continued) For the year ending 31 December 2017

23 Leases

Leases – Operating lease commitments

The total future value of minimum lease payments are due as follows:

	2017 USD'000	2016 USD'000
Operating lease payment due:		
- within one year	57	28
- between 2 and 5 years	-	-
	57	28

24 Ordinary Share Capital and Reserves

Ordinary 15p shares

	Number of shares 2017	Nominal value USD'000 2017	Number of shares 2016	Nominal value USD'000 2016
1 January and 31 December	158,707,089	37,404	158,707,089	37,404

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Merger reserve	Amount subscribed for share capital in excess of nominal value, where the share capital is issued as consideration as part of a business combination.
Accumulated losses	Cumulative net gains and losses recognised in the statement of comprehensive income.

Synchronica Limited

Notes to the Financial Statements (continued) For the year ending 31 December 2017

25 Related party transactions

Balances owed to group companies are unsecured and bear no interest. They are due for settlement in accordance with the Company's normal trade terms.

Payable balances with the Company were as follows:

	2017 USD'000	2016 USD'000
Myriad Group AG	(27,374)	(34,901)
Axis Mobile Limited	(1,862)	(1,862)
Synchronica India Limited	-	(6)
Myriad France SAS	(12,380)	(10,985)

Intercompany income received from group companies during the year were as follows:

	2017 USD'000	2016 USD'000
Myriad Group AG	7,836	3,370
msngr AG	-	7,759
	7,836	11,129

Compensation paid to the members of Key Management

2017	Short-term employment benefits USD'000	Post-employment benefits USD'000	Termination benefits USD'000	Total Compensation USD'000
Executive Team	271	10	-	281
Total Key Management	271	10	-	281

2016	Short-term employment benefits USD'000	Post-employment benefits USD'000	Termination benefits USD'000	Total Compensation USD'000
Executive Team	753	17	-	770
Total Key Management	753	17	-	770

26 Ultimate controlling party

The ultimate parent undertaking and controlling party is Myriad Group AG. Myriad Group AG is incorporated in Switzerland. The largest and smallest group to consolidate these 2017 financial statements is that headed by Myriad Group AG.

Copies of the consolidated financial statements of Myriad Group AG are available from:

Myriad Group AG
Mühlebachstrasse 23,
8008 Zurich,
Switzerland