

## **Synchronica Limited**

Annual Reports and Financial Statements

For the year ended

31 December 2018

Company Number 03276547



# Synchronica Limited

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# Synchronica Limited

## Officers and Professional Advisors

### Directors

Peter McCormack  
Fabien Delanaud

### 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  
No. 1 Spinningfields  
1 Hardman Square  
Manchester  
M3 3EB

# Synchronica Limited

## Strategic Report

The directors present their Strategic Report on the Company for the year ended 31 December 2018.

### 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 2018 the Company has been focussed on developing new products and providing administrative support to other companies in the wider Myriad Group. The single source of revenue for Synchronica Limited is charging the parent company, Myriad Group AG, for these services. Other income for the year includes claims submitted to HMRC in respect of Research and Development Expenditure Credits claimed in 2018 totalling GBP 164,000.

Profit from operations has fallen to GBP 504,000 from GBP 6,629,000 in 2017, which benefited from a GBP 6,295,000 credit on the reversal of an impaired intercompany receivable following the merger of a fellow subsidiary, msngr AG, and the parent company, Myriad Group AG.

Foreign exchange losses have reduced significantly from GBP 2,339,000 in 2017 to GBP 153,000 in 2018 following the decision to change the functional and presentational currencies of the company from USD to GBP.

The company has balances totalling GBP 30,495,000 due to Group companies at 31 December 2018 and continues to be supported by the parent company, Myriad Group AG.

### 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 directors. 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 directors 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 has previously employed 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. In January 2019 the research and development team supporting Thingstream were transferred to a newly incorporated entity within the Myriad Group, Thingstream Limited. Going forward the Company's revenue is expected to be earned from outsourced 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:

	2018	2017
	GBP'000	GBP'000
Revenue	4,653	6,070
Profit before income tax	347	4,286
Cash and cash equivalent	267	635

Signed on behalf of the Board



Peter McCormack

Director

4<sup>th</sup> June 2019

# Synchronica Limited

## Directors' Report

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2018.

### General Information

Synchronica Limited is a private company limited by shares, 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 (2017: GBP nil).

### Results and dividends

The profit for the year was GBP 315,000 (2017 profit: GBP 4,248,000).

No dividend is proposed for the year ended 31 December 2018 (2017: GBP nil).

### Financial risk management

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

### Director and Directors' interests

The directors 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

Fabien Delanaud (Appointed 1<sup>st</sup> May 2019)

### Directors' indemnities

The Company maintained throughout the year, and at the date of approval of the financial statements, liability insurance for its directors 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 2018 GBP 1,681,000 (2017: GBP 1,662,000) was spent on research and development.

### Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the financial statements, the directors are 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 directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

# Synchronica Limited

## Directors' Report (continued)

### Going concern

The directors believe 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 directors 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 directors, as set out on page 5, confirms the following:

- so far as the directors are 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 directors have taken all the steps that they ought to have taken as directors in order to make themselves 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 Directors' report was approved by the Board and signed on its behalf by:



Peter McCormack  
Director

4<sup>th</sup> June 2019

# 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 2018 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 Reports and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the statement of comprehensive income, 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

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent charitable company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is difficult to evaluate all of the potential implications on the charity's activities, beneficiaries, suppliers and the wider economy.

#### 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 directors are 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 Directors' 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.



# Synchronica Limited

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

### Strategic Report and Directors' Report

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 year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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 Directors' Report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are 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 directors are 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 directors are 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 directors either intend to liquidate the company or to cease operations, or have 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](http://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.

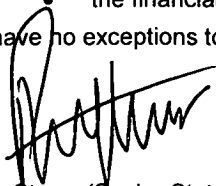
## Other required reporting

### 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  
4<sup>th</sup> June 2019

# Synchronica Limited

## Statement of Comprehensive Income For the year ended 31 December 2018

		Year ended 31 December	
	Note	2018 GBP'000	2017 GBP'000
<b>Revenue</b>	5	<b>4,653</b>	6,070
<b>Cost of revenue</b>		<b>(580)</b>	(1,002)
<b>Gross profit</b>		<b>4,073</b>	5,068
Research and development, net of capitalised costs		(1,681)	(1,662)
Sales and marketing costs		(1,020)	(1,242)
General and administrative costs		(1,030)	(1,997)
Exceptional items	10	-	6,295
Other income	11	164	189
Other expense	11	(2)	(22)
<b>Profit from operations</b>	6	<b>504</b>	6,629
Finance costs	12	(157)	(2,343)
<b>Profit before income tax</b>		<b>347</b>	4,286
Income tax expense	13	(32)	(38)
<b>Profit for the year</b>		<b>315</b>	4,248
<b>Other comprehensive expense:</b>			
Exchange differences on translating foreign operations		-	3,117
<b>Other comprehensive expense for the year</b>		<b>-</b>	3,117
<b>Total comprehensive profit for the year attributable to owners</b>		<b>315</b>	7,365

The above results all relate to continuing activities.

The notes on pages 13 to 25 form an integral part of these financial statements.

# Synchronica Limited

## Statement of Financial Position As at 31 December 2018

	Note	31 December 2018 GBP'000	31 December 2017 GBP'000	1 January 2017 GBP'000
<b>Non-current assets</b>				
Intangible assets	14	-	-	-
Property, plant and equipment	15	11	15	47
Investments in subsidiaries	16	2	2	2
<b>Total non-current assets</b>		<b>13</b>	<b>17</b>	<b>49</b>
<b>Current assets</b>				
Receivables	17	240	310	219
Cash and cash equivalents	18	267	635	1,352
<b>Total current assets</b>		<b>507</b>	<b>945</b>	<b>1,571</b>
<b>Total assets</b>		<b>520</b>	<b>962</b>	<b>1,620</b>
<b>Current liabilities</b>				
Trade and other payables	20	30,944	31,701	39,724
<b>Total current liabilities</b>		<b>30,944</b>	<b>31,701</b>	<b>39,724</b>
<b>Total liabilities</b>		<b>30,944</b>	<b>31,701</b>	<b>39,724</b>
<b>Equity and reserves</b>				
Ordinary shares	24	23,806	23,806	23,806
Share premium		25,655	25,655	28,090
Merger reserve		4,425	4,425	4,845
Cumulative translation reserve		(9,980)	(9,980)	(15,952)
Accumulated losses		(74,330)	(74,645)	(78,893)
<b>Total equity</b>		<b>(30,424)</b>	<b>(30,739)</b>	<b>(38,104)</b>
<b>Total equity and liabilities</b>		<b>520</b>	<b>962</b>	<b>1,620</b>

The notes on pages 13 to 25 form an integral part of these financial statements.

The financial statements on pages 9 to 25 were approved by the Board of Directors and were signed on its behalf by:



Peter McCormack  
Director  
4<sup>th</sup> June 2019

# Synchronica Limited

## Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 GBP'000	2017 GBP'000
<b>Cash flows from operating activities</b>			
Profit before income tax		347	4,286
<b>Adjusted for:</b>			
Depreciation	15	16	29
Doubtful debt (income)/expense against intercompany loan	10	-	(6,295)
Net finance costs/(income)	12	157	2,343
<b>Cash flows generated from operating activities before changes in working capital</b>		<b>520</b>	<b>363</b>
Decrease / (increase) in receivables		107	(116)
Increase in inventories		(38)	-
Decrease in payables		(913)	(836)
Income taxes paid		(32)	(37)
<b>Net cash used in operating activities</b>		<b>(356)</b>	<b>(626)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	15	(12)	(1)
<b>Net cash used in investing activities</b>		<b>(12)</b>	<b>(1)</b>
Net decrease in cash and cash equivalents		(368)	(627)
Cash and cash equivalents at 1 January	18	635	1,352
Effects of exchange rate changes on cash and cash equivalents		-	(90)
<b>Cash and cash equivalents at 31 December</b>	<b>18</b>	<b>267</b>	<b>635</b>

The notes on pages 13 to 25 form an integral part of these financial statements.

# Synchronica Limited

## Statement of Changes in Equity For the year ended 31 December 2018

The Company	Ordinary shares GBP'000	Share premium GBP'000	Merger reserve GBP'000	Cumulative translation reserve GBP'000	Accumulated losses GBP'000	Total equity GBP'000
At 1 January 2017	23,806	28,090	4,845	(15,952)	(78,893)	(38,104)
Profit for the year	-	-	-	-	4,248	4,248
Exchange differences on translating foreign operations	-	-	-	3,117	-	3,117
Exchange differences on translation of equity items	-	(2,435)	(420)	2,855	-	-
At 31 December 2017	23,806	25,655	4,425	(9,980)	(74,645)	(30,739)
Profit for the year	-	-	-	-	315	315
At 31 December 2018	23,806	25,655	4,425	(9,980)	(74,330)	(30,424)

The notes on pages 13 to 25 form an integral part of these financial statements.

# Synchronica Limited

## Notes to the Financial Statements For the year ended 31 December 2018

### 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 Sterling, which represents the functional currency of the Company.

Following a change in accounting software and method used to invoice group companies on 1 January 2018, the Company's cash flows and economic returns are now principally denominated in Sterling and the external expenses are already denominated in Sterling. Accordingly, the Company has changed its functional currency from US dollars to Sterling. The Company has also changed the currency in which it presents its financial statements from US dollars to Sterling.

In accordance with IAS 21 'Foreign Currencies', the change in functional currency is accounted for prospectively, with assets, liabilities, share capital and share premium translated as at the date of change.

The change in presentational currency represents a change in accounting policy under IAS 8 'Accounting policies, changes in accounting estimates and errors' and is accounted for retrospectively. Statutory financial information included in the financial statements for the year ended 31 December 2017, which has previously been reported in US Dollars, has been restated into Sterling using the procedures outlined below.

Assets, liabilities and share premium denominated in US dollar were translated into Sterling at the ruling closing rate for the respective period. Share capital was translated into Sterling at its historic rate. Reserves were translated into Sterling at the ruling rate at the date of the transaction. US dollar operating results were translated into Sterling at exchange rates at the dates of transactions.

### 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. Accounting policies have been consistently applied, other than where new policies have been adopted.

The Company is exempt by virtue of section 399 of the Companies Act 2006 from the requirement to prepare consolidated financial statements, as it is subject to the small companies regime and is not a member of a group which, at any time during the financial year, has an undertaking falling within subsection (2B) as a member. Accordingly, these financial statements present information about the Company as an individual undertaking and are presented in Sterling.

#### *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 directors are 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 directors have 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 2018 and have been consistently applied:

IFRS 9 'Financial Instruments' is the finalised version of the standard, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition. There has been no material impact on the Company.

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

# Synchronica Limited

## Notes to the Financial Statements (continued) For the year ended 31 December 2018

### 2 Significant accounting policies (continued)

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. There has been no material impact on the Company.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2018 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 2019, 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 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. This is not expected to impact the company as all lease terms are less than twelve months.

IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' are amended by a revision to the definition of 'Material'. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendment regarding the definition of material applies to annual reporting periods beginning on or after 1 January 2020.

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 within the Group. The revenues associated with these recharges are recognised as the costs to which they relate are incurred. From 1 January 2018, these recharges have been denominated in Sterling.

#### ***Grant income***

Government grants for expenses already incurred with no future related costs are recognised in the statement of comprehensive income in the period in which the claim is submitted and future receipt becomes reasonably certain. 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 directors.

#### ***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.

# Synchronica Limited

## Notes to the Financial Statements (continued) For the year ended 31 December 2018

### 2 Significant accounting policies (continued)

#### *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.

#### *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
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, cumulative translation reserve and accumulated retained earnings. There have been no changes in what the Company considers to be capital since the previous period except for the addition of the cumulative translation reserve which has arisen from the change in presentational currency.

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 a provision for impairment. The provision for impairment is equal to expected credit losses that could result from default events, such as the debtor experiencing significant financial difficulties, bankruptcy, financial reorganisation, default or delinquency in payments, that are possible within 12 months after the reporting date. 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 ended 31 December 2018

### 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 and is financially independent of the Company. The pension fund is generally financed by employer and employee contributions. This pension plan is accounted for as a defined contribution plan. Employer contributions paid or due are recognised in the statement of comprehensive income as employee benefit expense when they are due. The Company has no further payment obligations once the contributions have been paid.

#### *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method and comprises direct materials and, where applicable, direct labour costs and overheads that have been incurred in bringing inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Where Inventory is identified as slow moving, obsolete or defective a provision is made to reduce the carrying value to the net realisable value and the loss is recognised in the statement of comprehensive income.

#### *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.

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.

There are no critical accounting estimate or judgements that have arisen.

# Synchronica Limited

## Notes to the Financial Statements (continued) For the year ended 31 December 2018

### 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

#### *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 directors. 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 directors 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 ended 31 December 2018

### 5 Revenue

	2018 GBP'000	2017 GBP'000
Revenue arising from:		
Intercompany revenue	4,653	6,070
	<b>4,653</b>	<b>6,070</b>

### 6 Profit/(loss) from operations

	2018 GBP'000	2017 GBP'000
Profit from operations is arrived at after charging:		
Depreciation of property, plant and equipment (note 15)	16	29
Research & development	1,681	1,662
Operating lease rentals – land and buildings	103	155

Auditors' remuneration in 2018 of GBP 16,000 (2017: GBP 20,000) 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:

	2018 Number	2017 Number
Product development	18	19
Sales, marketing and administration	14	15
	<b>32</b>	<b>34</b>

	2018 GBP'000	2017 GBP'000
<b>Staff costs, including Executive Directors:</b>		
Wages and salaries	2,266	3,060
Social security costs	293	353
Other personnel-related costs	25	29
Other pension cost	84	72
	<b>2,668</b>	<b>3,514</b>

### 8 Director's remuneration

	2018 GBP'000	2017 GBP'000
<b>Remuneration of the Executive Directors:</b>		
Emoluments	164	197
	<b>164</b>	<b>197</b>

Highest paid Director's emoluments	164	197
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### 9 Segmental reporting

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

# Synchronica Limited

## Notes to the Financial Statements (continued) For the year ended 31 December 2018

### 10 Exceptional items

	2018 GBP'000	2017 GBP'000
Impairment reversal against intercompany receivables	-	6,295
	-	6,295

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 led to exceptional income of GBP 6,295,000 in 2017.

### 11 Other income

	2018 GBP'000	2017 GBP'000
<b>Other income:</b>		
Income from government grants	164	189
<b>Total other income</b>	<b>164</b>	<b>189</b>
<b>Other expense:</b>		
Other expense:	(2)	(22)
<b>Total other expense</b>	<b>(2)</b>	<b>(22)</b>
<b>Total other income and expense</b>	<b>162</b>	<b>167</b>

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 2018 GBP 164,000 of grant income was recognised in respect of the 2017 claim (2017: GBP 181,000).

### 12 Finance income/costs

	2018 GBP'000	2017 GBP'000
Other finance costs	(4)	(4)
Foreign exchange losses, net	(153)	(2,339)
<b>Finance costs</b>	<b>(157)</b>	<b>(2,343)</b>

# Synchronica Limited

## Notes to the Financial Statements (continued) For the year ended 31 December 2018

### 13 Income tax expense

	2018 GBP'000	2017 GBP'000
<b>Income tax</b>		
Current tax on profits for the year	(32)	(51)
Adjustments in respect of previous years	-	13
<b>Total tax expense</b>	<b>(32)</b>	<b>(38)</b>

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

	2018 GBP'000	2017 GBP'000
<b>Profit/(loss) before income tax</b>	<b>347</b>	<b>4,286</b>
Standard tax at UK corporation tax rate 19.00% (2017: 19.25%)	66	846
Effects of:		
– Expenses not deductible for tax purposes	-	-
– Utilisation of previously unrecognised tax losses	(66)	-
– Tax losses for which no deferred income tax asset was recognised	-	434
– non-taxable income	-	(1,280)
– Effect of R&D tax credits	32	38
– withholding tax	-	-
<b>Actual tax expense</b>	<b>32</b>	<b>38</b>

Factors affecting current and future tax charges.

As at the 31 December 2018, the Company has an unrecognised deferred tax asset in respect of tax losses totalling GBP 10,431,000 (2017: GBP 10,635,000) and non-trade loan relationship deficits totalling GBP 14,000 (2016: GBP 14,000).

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2017 (on 6 September 2016). These include reductions to the main rate to reduce the 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 ended 31 December 2018

### 14 Intangible assets

	Software GBP'000
<b>Cost or valuation</b>	
At 1 January 2017	538
Derecognised	-
At 31 December 2017	538
Disposals	-
<b>At 31 December 2018</b>	<b>538</b>
<b>Accumulated Amortisation</b>	
At 1 January 2017	538
Charged in year	-
Derecognised	-
At 31 December 2017	538
Charged in year	-
Disposal	-
<b>At 31 December 2018</b>	<b>538</b>
<b>Net book value</b>	
At 1 January 2017	-
At 31 December 2017	-
<b>At 31 December 2018</b>	<b>-</b>

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

# Synchronica Limited

## Notes to the Financial Statements (continued) For the year ended 31 December 2018

### 15 Property, plant and equipment

	IT infrastructure GBP'000	Leasehold Improvements GBP'000	Total GBP'000
<b>Cost or valuation</b>			
At 1 January 2017	107	64	171
Additions	1	-	1
Disposals	-	(64)	(64)
At 31 December 2017	108	-	108
Additions	12	-	12
Disposals	-	-	-
<b>At 31 December 2018</b>	<b>120</b>	<b>-</b>	<b>120</b>
<b>Accumulated Depreciation</b>			
At 1 January 2017	64	64	128
Charged in year	29	-	29
Disposals	-	(64)	(64)
At 31 December 2017	93	-	93
Charged in year	16	-	16
Disposals	-	-	-
<b>At 31 December 2018</b>	<b>109</b>	<b>-</b>	<b>109</b>
<b>Net book value</b>			
At 1 January 2017	43	-	43
At 31 December 2017	15	-	15
<b>At 31 December 2018</b>	<b>11</b>	<b>-</b>	<b>11</b>

### 16 Investments in subsidiaries

	GBP'000
<b>Impaired cost</b>	
At 1 January 2017	2
At 31 December 2017	2
<b>At 31 December 2018</b>	<b>2</b>

The subsidiaries of Synchronica Limited are as follows:

	Country of incorporation	Registered address	Function	Proportion of ownership Interest at 31 December 2018	Proportion of ownership interest at 31 December 2017
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%

The Company is exempt by virtue of section 399 of the Companies Act 2006 from the requirement to prepare consolidated financial statements, as it is subject to the small companies regime and is not a member of a group which, at any time during the financial year, has an undertaking falling within subsection (2B) as a member. Accordingly, these financial statements present information about the Company as an individual undertaking and are presented in Sterling.

# Synchronica Limited

## Notes to the Financial Statements (continued) For the year ended 31 December 2018

### 17 Receivables

	2018 GBP'000	2017 GBP'000
Other receivables	217	258
Total financial assets other than cash and cash equivalents classified as loans and receivables	217	258
Prepayments not classified as financial assets	23	52
Trade and other receivables	240	310

### 18 Cash and cash equivalents

	2018 GBP'000	2017 GBP'000
Cash at banks and petty cash	267	635
<b>Total</b>	<b>267</b>	<b>635</b>

### 19 Credit risk

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

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

	2018 GBP'000	2017 GBP'000
<b>Loans and receivables</b>		
Other receivables	179	258
Cash and cash equivalents	267	635
Accrued income and prepayments	23	52
	<b>469</b>	<b>945</b>

### 20 Trade and other payables

	2018 GBP'000	2017 GBP'000
Trade payables	97	117
Amounts due to group undertakings	30,495	30,818
Accruals	257	652
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	30,849	31,587
Other taxation and social security taxes	95	114
Other payables	-	-
<b>Trade and other payables</b>	<b>30,944</b>	<b>31,701</b>

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



# Synchronica Limited

## Notes to the Financial Statements (continued) For the year ended 31 December 2018

### 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 GBP'000	Between 3 and 6 months GBP'000	More than 6 months GBP'000
<b>At 31 December 2018</b>			
Financial liabilities measured at amortised cost	30,944	-	-
<b>At 31 December 2017</b>			
Financial liabilities measured at amortised cost	31,701	-	-

### 22 Currency risk

The Sterling equivalent of foreign currency liabilities held at the year-end is as follows:

	2018 GBP'000	2017 GBP'000
EUR	(9,308)	(9,171)
USD	(1,738)	(1,477)
	(11,046)	(10,648)

The effect of a 10% movement in the value of Euro against the Sterling 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 GBP 848,000 (2017: GBP 838,000). The effect of a 10% movement in the value of the US Dollar against Sterling at the Statement of Financial Position date would, all other variables held constant, result in a movement in the profit for the year of GBP 125,000 (2017: USD 82,000).

### 23 Leases

#### Operating lease commitments

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

	2018 GBP'000	2017 GBP'000
Operating lease payment due:		
- within one year	-	42
- between 2 and 5 years	-	-
	-	42

### 24 Ordinary Share Capital and Reserves

Ordinary 15p shares

	Number of shares 2018	Nominal value GBP'000 2018	Number of shares 2017	Nominal value GBP'000 2017
1 January and 31 December	158,707,089	23,806	158,707,089	23,806

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 ended 31 December 2018

### 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:

	2018 GBP'000	2017 GBP'000
Myriad Group AG	(23,570)	(20,272)
Axis Mobile Limited	(1,462)	(1,379)
Myriad France SAS	(5,463)	(9,167)

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

	2018 GBP'000	2017 GBP'000
Myriad Group AG	4,653	6,070
	<b>4,653</b>	<b>6,070</b>

### 26 Compensation paid to the members of Key Management

2018	Short-term employment benefits GBP'000	Post-employment benefits GBP'000	Termination benefits GBP'000	Total Compensation GBP'000
Executive Team	156	8	-	164
<b>Total Key Management</b>	<b>156</b>	<b>8</b>	<b>-</b>	<b>164</b>

2017	Short-term employment benefits GBP'000	Post-employment benefits GBP'000	Termination benefits GBP'000	Total Compensation GBP'000
Executive Team	189	8	-	197
<b>Total Key Management</b>	<b>189</b>	<b>8</b>	<b>-</b>	<b>197</b>

### 27 Ultimate controlling party

The ultimate controlling party is Patinex AG through their majority holding in the parent company, Myriad Group AG. Both Patinex AG and Myriad Group AG are incorporated in Switzerland.