

Nektan UK Limited

Report and Financial Statements

Year Ended

30 June 2016

Company Number: 04468412



Nektan UK Limited

Report and financial statements for the year ended 30 June 2016

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Directors

Patrick Sinclair
Jim Wilkinson

Company Secretary

Patrick Sinclair

Registered office

6th Floor, The Girdiron Building, 1 Pancras Square, London, N1C 4AG

Company number

04468412

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Nektan UK Limited
Report of the directors
for the year ended 30 June 2016

The directors present their report together with the audited financial statements for the year ended 30 June 2016.

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year. The directors do not recommend the payment of a dividend (2015: nil).

Principal activities

The principal activity of the company during the year was the development and deployment of mobile enabling software to the parent company. The company also has primary responsibility for the Group's commercial, business development and account management functions.

Directors

The directors of the company during the year were:

David Sparks (resigned 22 January 2016)
David Gosen (resigned 22 January 2016)
Matthew Sunderland (appointed 22 January 2016, resigned 12 August 2016)
Leigh Nissim (appointed 25 Jul 2016, resigned 14 June 2018)
Patrick Sinclair (appointed 3 February 2017)
Jim Wilkinson (appointed 27 June 2017)

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

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

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

Nektan UK Limited

Report of the directors for the year ended 30 June 2016 (continued)

Going Concern

The financial statements have been prepared on a going concern basis. The Nektan Group, headed by Nektan plc, of which the Company is a member continues to be loss making and in addition funds its capital expenditure.

The Company relies on the support of Nektan plc which in turn is dependent on disposing of certain assets, the successful completion of a further fund raise as well as the joint venture partner in respect of Nektan Marketing Services Limited not having the ability to exercise their put option over the remaining 50% of share capital. In respect of further fund raise the Group has received commitments from two shareholders that, subject to no further financing options being available and also approval of the resolutions at the EGM in July 2017 in respect of the loan agreements, that, prior to 31 July 2017 they will provide loans totalling £2.5m. In turn, Nektan Plc has provided a letter of support to the Company that it will continue to provide such support as required to meet the Company's obligations for a period of no less than 12 months from the date of approval of these financial statements.

Post year-end the Group also announced an equity fundraising totalling £2,275,000 and that an agreement had been reached with a sufficient proportion of the Convertible Loan Note ("CLN") holders to defer the interest payments on £10.0m of the principal until 2020. The Directors also continue to progress opportunities to dispose of certain assets to provide further funding to the group.

Notwithstanding the above fundraising, deferral of interest payments and commitment of loan finance from shareholders to the Group, having reviewed the forecasts of the business, the Directors have concluded that either asset sales or further funding will be required.

There are therefore material uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern if the Group is unable to raise additional finance it may be unable to realise its assets and discharge its liabilities in the normal course of business and not continue as a going concern. The Directors, having considered this position and support provided by the parent have a reasonable expectation to believe that the Group will be able to raise further funds and therefore it is appropriate to continue to prepare the financial statements on a going concern basis.

Auditors

The current directors have taken all the steps that they ought to have taken to make himself aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware. BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

In preparing the directors' report the directors have taken advantage of the exemptions allowed for small companies as set out in the Companies Act 2006.

On behalf of the Board



**P Sinclair
Director**

Date 27 June 2017

Nektan UK Limited

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF NEKTAN UK LIMITED

We have audited the financial statements of Nektan UK Limited for the year ended 30 June 2016 which comprise the income statement, balance sheet, statement of change in equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of a matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. This is dependent on disposing of certain assets, successfully raising further funds, disposing as well as the joint venture partner in respect of Nektan Marketing Services Limited not having the ability to exercise their put option over the remaining 50% of share capital.

These conditions, along with other matters disclosed in note 1 to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Nektan UK Limited

Independent auditor's report (continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the directors' report in accordance with the small companies regime and to the exemption from the requirement to prepare a strategic report.

BDO LLP

*Oliver Chinneck (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London*

Date 27 June 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Nektan UK Limited

Income statement for the year ended 30 June 2016

	Note	2016 £'000	Restated 2015 £'000
Turnover	2	2,754	3,760
Administrative expenses		(2,862)	(4,297)
Operating loss	3	(108)	(537)
Interest payable and similar charges	7	(1)	(1)
Loss on ordinary activities before taxation		(109)	(538)
Taxation on loss on ordinary activities	8	169	314
Profit/(loss) on ordinary activities after taxation and total comprehensive income / (expense)		60	(224)

The notes on pages 9 to 16 form part of these financial statements.

Nektan UK Limited

Balance sheet at 30 June 2016

Company number: 04468412	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Fixed assets					
Tangible assets	9		<u>12</u>		<u>59</u>
			12		59
Current assets					
Debtors	10	3,279		3,100	
Cash at bank and in hand		<u>1</u>		<u>57</u>	
			3,280		3,157
Creditors: amounts falling due within one year	11	<u>(301)</u>		<u>(311)</u>	
Net current assets			2,979		2,846
Total assets less current liabilities			<u>2,991</u>		<u>2,905</u>
Creditors due in more than one year	12		(26)		-
Net assets			<u>2,965</u>		<u>2,905</u>
Capital and reserves					
Called up share capital	13		12		12
Share premium			2,451		2,451
Capital redemption reserve			4		4
Profit and loss account			<u>498</u>		<u>438</u>
Shareholders' funds			<u>2,965</u>		<u>2,905</u>

The financial statements were approved by the Board and authorised for issue on

27 June 2017


P Sinclair
Director

The notes on pages 9 to 16 form part of these financial statements.

Nektan UK Limited
Statement of Changes in Equity
at 30 June 2016

	Share capital	Share premium	Capital redemption reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
At 1 July 2014	12	2,451	4	662	3,129
Loss for the year and total comprehensive expense	-	-	-	(224)	(224)
At 30 June 2015	<u>12</u>	<u>2,451</u>	<u>4</u>	<u>438</u>	<u>2,905</u>
Profit for the year and total comprehensive Income	-	-	-	60	60
At 30 June 2016	<u>12</u>	<u>2,451</u>	<u>4</u>	<u>498</u>	<u>2,965</u>

Share premium is the amount subscribed for share capital in excess of nominal value.

Capital redemption reserve is the amount transferred from share capital on redemption of issued shares.

Retained earnings represent cumulative profit/(loss), share-based payments and any other items of other comprehensive income.

Nektan UK Limited

Notes forming part of the financial statements for the year ended 30 June 2016

1 Accounting policies

Nektan UK Limited is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the directors' report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

These financial statements are the first financial statements prepared under FRS 102. With the exception of certain presentation and disclosure changes there has been no impact on the profit of equity of the Company in the current or prior year.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Company management to exercise judgement in applying the Company's accounting policies. The directors not believe there are any areas that constitute key accounting estimates.

The principal accounting policies adopted are set out below.

Going concern

The financial statements have been prepared on a going concern basis. The Nektan Group, headed by Nektan plc, of which the Company is a member continues to be loss making and in addition funds its capital expenditure.

The Company relies on the support of Nektan plc which in turn is dependent on disposing of certain assets, the successful completion of a further fund raise as well as the joint venture partner in respect of Nektan Marketing Services Limited not having the ability to exercise their put option over the remaining 50% of share capital. In respect of further fund raise the Group has received commitments from two shareholders that, subject to no further financing options being available and also approval of the resolutions at the EGM in July 2017 in respect of the loan agreements, that, prior to 31 July 2017 they will provide loans totalling £2.5m. In turn, Nektan Plc has provided a letter of support to the Company that it will continue to provide such support as required to meet the Company's obligations for a period of no less than 12 months from the date of approval of these financial statements.

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There are therefore material uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern if the Group is unable to raise additional finance it may be unable to realise its assets and discharge its liabilities in the normal course of business and not continue as a going concern. The Directors, having considered this position and support provided by the parent has a reasonable expectation to believe that the Group will be able to raise further funds and therefore it is appropriate to continue to prepare the financial statements on a going concern basis.

Nektan UK Limited

Notes forming part of the financial statements for the year ended 30 June 2016

1 Accounting policies (continued)

Financial reporting standard 102- reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 'the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland':

- the requirements of Section 7 Statement of Cash Flows
- the requirements of Section 3 Financial Statement Presentation, paragraph 3.17(d)
- the requirements of Section 33 Related Party Disclosures, paragraph 33.7

This information is included in the consolidated financial statements of Nektan plc for the year ended 30 June 2016 in which these results are included and are publically available. These financial statements may be obtained from 6th Floor, the Girdiron Building, 1 Pancras Square, London, N1C 4AG.

Turnover

Turnover represents inter group services provided at invoiced amounts less value added tax. Turnover is recognised to the extent that its probable economic benefits will flow to the company and the turnover can be reliably measured. Turnover is recognised in the accounting periods in which the service is provided.

Tangible fixed assets

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

Depreciation

Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Computer equipment	-	33% per annum
Office equipment	-	20% per annum
Fixtures and fittings	-	20% per annum

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

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

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

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Nektan UK Limited

Notes forming part of the financial statements (Continued) for the year ended 30 June 2016

1 Accounting policies (continued)

Research and development

Research and development costs are charged to the income statement in the year of expenditure.

Financial assets

Financial assets are initially measured at transaction price, including transaction costs, and are subsequently held at cost less any impairment.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Non-monetary assets and liabilities and transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the income statement in the year in which they become payable.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

Prior year restatement

The prior year income statement has been restated to reclassify £338,000 from other income to tax credit, there has been no impact on the prior year loss or net asset position.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises within Gibraltar (99%) and the United Kingdom (1%).

Nektan UK Limited

Notes forming part of the financial statements for the year ended 30 June 2016

3 Operating loss

Operating loss has been arrived at after charging:

	2016 £'000	2015 £'000
Depreciation of tangible assets	37	174
Rent payable under operating leases	187	207
Research and development	735	1,880
Fees payable to the company's auditor for the audit of the annual accounts	20	17

4 Staff numbers

	2016 Number	2015 Number
The average number of employees (including directors) employed was:		
Management	2	2
Administration and technical staff	25	40
	27	42

5 Staff costs

	2016 £'000	2015 £'000
Staff costs (including Directors) during the year were as follows:		
Wages and salaries	1,730	2,208
Social security costs	190	267
Benefits in kind	23	51
Pensions	11	29
	1,954	2,555

6 Directors' remuneration

	2016 £'000	2015 £'000
Emoluments and pension contributions	328	194
Loss of office	102	-
	430	194

There was one director that received pension contributions (2015: one).

Nektan UK Limited

Notes forming part of the financial statements (Continued) for the year ended 30 June 2016

7 Interest payable and similar charges

	2016 £'000	2015 £'000
Interest payable	1	1

8 Taxation on (loss) / profit on ordinary activities

	2016 £'000	2015 £'000
<i>UK corporation tax</i>		
Current tax credit on loss for the year	(154)	(338)
Prior year adjustment	(15)	39
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	(15)
Taxation credit on loss on ordinary activities	(169)	(314)

The taxation charge assessed for the period is lower (2015: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2016 £'000	2015 £'000
Loss on ordinary activities before tax	(109)	(538)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 20.0% (2015: 20.6%)	(22)	(111)
Effects of:		
Expenses not deductible for tax purposes	1	3
Capital allowances in excess of depreciation	3	24
Additional deduction for R&D expenditure	(192)	(550)
Surrender of R&D expenditure	55	281
Prior year adjustment	(15)	39
Tax credit for the year	(169)	(314)

Nektan UK Limited

Notes forming part of the financial statements (Continued) for the year ended 30 June 2016

9 Tangible fixed assets

	Computer equipment £'000	Office equipment £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost:				
At 1 July 2015	585	104	36	725
Additions	3	1	-	4
Disposals	(16)	(42)	(36)	(94)
At 30 June 2016	572	63	-	635
Accumulated depreciation:				
At 1 July 2015	546	91	29	666
Charge for the year	29	6	2	37
Eliminated on disposal	(12)	(37)	(31)	(80)
At 30 June 2016	563	60	-	623
Net book value:				
At 30 June 2015	39	13	7	59
At 30 June 2016	9	3	-	12

10 Debtors

	2016 £'000	2015 £'000
Amounts due from parent company	3,034	2,628
Other debtors	202	378
VAT recoverable	-	38
Prepayments and accrued income	43	56
	<u>3,279</u>	<u>3,100</u>

All amounts shown under debtors fall due for payment within one year.

11 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	94	159
Finance lease creditor	29	9
Taxation and social security	112	87
Accruals and deferred income	66	56
	<u>301</u>	<u>311</u>

Nektan UK Limited

Notes forming part of the financial statements (Continued) for the year ended 30 June 2016

12 Finance Leases

The future minimum finance lease payments are as follows:

	2016 £'000	2015 £'000
Not later than 1 year	29	-
Later than one year and not later than five years	30	-
Total gross payments	59	-
Less finance charges	(4)	-
Carrying amount of liability	55	-
Amounts less than one year	29	-
Amounts greater than one year	26	-

The finance lease relates to computer equipment that has been transferred to Nektan Gibraltar Limited, a company related by virtue of common ownership by Nektan PLC. As a result, no Tangible fixed asset is recognised on the balance sheet, but the amounts due under the finance lease are included within the intercompany balance.

13 Share capital

	A Ordinary Shares	B Ordinary Shares	C Ordinary Shares	D Ordinary Shares	Total Shares
<i>Allotted, issued and fully paid</i>					
At 1 July 2015 and 30 June 2016 (number)	46,104	31,591	15,867	27,409	120,971
At 1 July 2015 and 30 June 2016 (£'000)	4	3		3	12

The share capital comprises Ordinary shares, B Ordinary shares, C Ordinary shares and D Ordinary shares; all with a par value of 0.10 each. The rights of all classes of shares allow the holder to one vote for each share held at annual general meetings. On a return of assets on liquidation, a reduction of capital or otherwise, the surplus assets after meeting liabilities shall be applied to the shareholders. In any other case, the nominal value of the shares will be paid to the shareholders. The balance of any assets remaining shall belong and be distributed among the shareholders *pari passu*.

In respect of each financial year of the company, and where profits are available for distribution, the shareholders shall be entitled to receive a participating dividend, *pari passu* as if the Ordinary shares, the B Ordinary shares, the C Ordinary shares, and the D Ordinary shares constituted one class of shares, based on 50 percent of the net profit of the relevant financial year.

Nektan UK Limited

Notes forming part of the financial statements (Continued) for the year ended 30 June 2016

14 Financial instruments

	2016 £'000	2015 £'000
Financial assets measured at amortised cost	3,067	2,725
Financial liabilities measured at amortised cost	(327)	(311)

There are no financial assets or liabilities that are measured at fair value through profit or loss. Financial assets measured at amortised cost comprise cash, other debtors and amounts owed by group undertakings. Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals and finance leases.

15 Commitments under operating leases

The company had minimum lease payments under non-cancellable operating leases as set out below:

	2016 £'000	2015 £'000
Expiring less than 1 year	167	160
Expiring between 1 and 2 years	-	1
	167	161

16 Related party transactions

The company has taken advantage of the exemption conferred by FRS 102 Section 33 'Related Party Transactions', paragraph 33.1A not to disclose transactions with certain group companies on the grounds that the companies party to the transactions are wholly owned members of the Group.

17 Ultimate controlling party

Nektan plc is the immediate and ultimate parent company. In the opinion of the directors there is no ultimate controlling party.