

Nektan UK Limited

Report and Financial Statements

Year Ended

30 June 2014

Company Number: 04468412

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Nektan UK Limited

Report and financial statements for the year ended 30 June 2014

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Directors

G Shaw
D Sparks

Registered office

7th Floor, Portland House, Bressenden Place, London, SW1E 5BH

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 2014

The directors present their report together with the audited financial statements for the year ended 30 June 2014.

Results

The profit and loss account is set out on page 5 and shows the profit for the year.

Principal activities

The principal activity of the company during the year was the development and deployment of mobile enabling software to the parent company and the bookmaking industry.

On 6 November 2013 the company changed its name from Mfuse Limited to Nektan UK Limited. Post year-end the parent company, Nektan Holdings Limited, re-registered as Nektan plc and subsequently completed an initial public offering to become listed on the Alternative Investment Market.

Directors

The directors of the company during the year were:

G Shaw
D Sparks (appointed 15 September 2014)
D Clarke (resigned 20 November 2013)
G Read (resigned 20 June 2014)

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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Nektan UK Limited

Report of the directors for the year ended 30 June 2014 (*continued*)

Auditors

The current directors have taken all the steps that he ought to have taken to make themselves 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

D.N. SPARKS

D Sparks
Director

Date 16 JANUARY 2015

Nektan UK Limited

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 2014 which comprise the profit and loss account, the balance sheet and the 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 member, 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 member 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the 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 2014 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.

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.

Nektan UK Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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 financial statements and the directors' report in accordance with the small companies' regime and to the exemption from the requirement to prepare a strategic report.

BDO LLP

Kieran Storan (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date *16 January 2015*

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

Nektan UK Limited

Profit and loss account for the year ended 30 June 2014

	Note	2014 £	2013 £
Turnover	2	3,588,333	5,643,284
Administrative expenses		(3,099,667)	(4,298,216)
Other income	3	140,272	-
		<hr/>	<hr/>
Operating profit	3	628,938	1,345,068
Other interest receivable and similar income		69	671
Interest payable and similar charges	6	(831)	(4,985)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		628,176	1,340,754
Taxation on profit on ordinary activities	7	(104,273)	18,471
		<hr/>	<hr/>
Profit on ordinary activities after taxation	15	523,903	1,359,225
		<hr/>	<hr/>

All amounts relate to continuing activities.

There are no recognised gains and losses other than those passing through the profit and loss account.

The notes on pages 7 to 14 form part of these financial statements.

Nektan UK Limited

Balance sheet at 30 June 2014

Company number 04468412	Note	2014 £	2014 £	2013 £	2013 £
Fixed assets					
Tangible assets	8		210,605		239,604
Current assets					
Debtors	9	3,060,950		2,111,291	
Cash at bank and in hand		75,754		450,841	
		3,136,704		2,562,132	
Creditors: amounts falling due within one year	10	204,421		187,303	
Net current assets			2,932,283		2,374,829
Total assets less current liabilities			3,142,888		2,614,433
Provisions for liabilities	11		14,506		10,751
Net assets			3,128,382		2,603,682
Capital and reserves					
Called up share capital	12		12,097		11,300
Share premium	14		2,451,205		2,451,205
Capital redemption reserve	14		3,841		3,841
Profit and loss account	14		661,239		137,336
Shareholders' funds	15		3,128,382		2,603,682

The financial statements were approved by the Board of Directors and authorised for issue on... **16 JANUARY 2015**

D. N. Sparks

D Sparks
Director

The notes on pages 7 to 14 form part of these financial statements.

Nektan UK Limited

Notes forming part of the financial statements for the year ended 30 June 2014

1 Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The following principal accounting policies have been applied:

Cash flow

The company has used the exemption under Financial Reporting Standard 1, "Cash Flow Statements", not to prepare a cash flow statement on the grounds that it is a small company.

Turnover

Turnover represents sales to external and internal customers 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 transactions occur.

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

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

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Research and development

Research and development costs are charged to the profit and loss account in the year of expenditure.

Nektan UK Limited

Notes forming part of the financial statements for the year ended 30 June 2014 (continued)

1 Accounting policies (continued)

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 during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account. Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period 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 the profit and loss account on a straight-line basis over the term of the lease.

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

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.

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.

Other income

Other income consists of research and development taxation credits. The income is recognised when receipt is virtually certain.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises within Gibraltar (93%), Malta (3%), Guernsey (3%) and the United Kingdom (1%)

3 Operating profit

	2014 £	2013 £
This has been arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	78,118	87,573
Hire of plant and machinery - operating leases	4,121	3,470
Hire of other assets - operating leases	239,365	163,076
Research and development - current year expenditure	808,054	322,508
Auditors' remuneration	13,950	22,930
Other income	(140,272)	-

Nektan UK Limited

Notes forming part of the financial statements for the year ended 30 June 2014 (*continued*)

4 Employee costs

	2014 £	2013 £
Wages and salaries	1,790,111	2,781,927
Social security costs	204,070	327,962
	<u>1,994,181</u>	<u>3,109,889</u>

The average number of persons employed by the company during the year, including directors, was 35 (2013: 66).

5 Directors' remuneration

	2014 £	2013 £
Emoluments and pension contributions	<u>128,780</u>	<u>255,151</u>

There were 2 directors that received pension contributions (2013 - 2).

6 Interest payable and similar charges

	2014 £	2013 £
Loan interest	-	253
Finance lease and hire purchase interest	831	4,732
	<u>831</u>	<u>4,985</u>

Nektan UK Limited

Notes forming part of the financial statements for the year ended 30 June 2014 (*continued*)

7 Taxation on profit on ordinary activities

	2014 £	2013 £
<i>UK corporation tax</i>		
Current tax charge on profit for the year	71,296	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	32,977	(18,471)
	<u>104,273</u>	<u>(18,471)</u>
Taxation on profit on ordinary activities		

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

	2014 £	2013 £
Profit on ordinary activities before tax	628,176	1,340,754
Profit on ordinary activities at the standard rate of corporation tax in the UK of 22.5% (2013 - 20%)	141,340	268,151
Effect of:		
Expenses not deductible for tax purposes	1,461	23,788
Capital allowances in excess of depreciation	(165)	4,670
Additional deduction for R&D expenditure	(31,561)	(64,502)
Utilisation of brought forward tax losses	-	(213,005)
Utilisation of current year losses	9,112	-
Share scheme deduction	(48,891)	(19,102)
Current tax charge for the year	<u>71,296</u>	<u>-</u>

Included within other income (note 3) is £140,272 relating to research and development taxation credits

Nektan UK Limited

Notes forming part of the financial statements for the year ended 30 June 2014 (*continued*)

8 Tangible fixed assets

	Computer equipment £	Office equipment £	Fixtures and fittings £	Total £
<i>Cost</i>				
At 1 July 2013	517,150	100,563	36,098	653,811
Additions	49,119	-	-	49,119
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2014	566,269	100,563	36,098	702,930
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 July 2013	332,400	61,746	20,061	414,207
Provided for the year	67,133	7,763	3,222	78,118
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2014	399,533	69,509	23,283	492,325
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 30 June 2014	166,736	31,054	12,815	210,605
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2013	184,750	38,817	16,037	239,604
	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of tangible fixed assets includes an amount of £nil (2013 - £10,961) in respect of assets held under finance leases and HP contracts. The related depreciation charge on these assets for the year was £10,961 (2013 - £10,638).

9 Debtors

	2014 £	2013 £
Trade debtors	11	586,261
Amount due from parent company	2,877,932	1,350,000
Other debtors	106,313	61,894
VAT recoverable	10,526	-
Prepayments and accrued income	66,168	83,914
Deferred tax asset	-	29,222
	<hr/>	<hr/>
	3,060,950	2,111,291
	<hr/>	<hr/>

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

Nektan UK Limited

Notes forming part of the financial statements for the year ended 30 June 2014 (*continued*)

10 Creditors: amounts falling due within one year

	2014 £	2013 £
Trade creditors	17,280	19,393
Other creditors	4,345	-
Taxation and social security	71,884	68,557
Obligations under finance contracts	-	5,536
Accruals and deferred income	110,912	93,817
	<u>204,421</u>	<u>187,303</u>

11 Provisions for liabilities

	Deferred taxation £
At 1 July 2013	10,751
Charged to profit and loss account	3,755
	<u>14,506</u>
At 30 June 2014	<u>14,506</u>

The deferred tax liability relates to accelerated capital allowances.

12 Share capital

	Allotted, called up and fully paid			
	2014 Number	2013 Number	2014 £	2013 £
Ordinary shares of £0.10 each	46,104	38,130	4,610	3,813
B Ordinary shares of £0.10 each	31,591	31,591	3,159	3,159
C Ordinary shares of £0.10 each	15,867	15,867	1,587	1,587
D Ordinary shares of £0.10 each	27,409	27,409	2,741	2,741
	<u>120,971</u>	<u>112,997</u>	<u>12,097</u>	<u>11,300</u>

7,974 options over the Ordinary shares of £0.10 were exercised on 4 July 2013 resulting in an increase in share capital of £797.

The rights of all classes of shares allow the holder to one vote for each share held at annual general meetings. In addition, 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% of the net profit of the relevant financial year. Further details are provided in the company's articles of association.

Nektan UK Limited

Notes forming part of the financial statements for the year ended 30 June 2014 (continued)

13 Share-based payments

The company operates an equity-settled share based remuneration scheme for employees. In prior years, 1,154 options were granted under the existing share option scheme with an exercise price of £0.10. These options vested over a 3 year period.

In addition, a Senior Management Long Term Incentive Scheme was set up in prior years, and a total of 7,990 options were granted to those in the scheme. These options are exercisable based on a target acquisition price as stipulated in the agreements.

In July 2013 7,974 options were exercised and the remaining 4,594 were forfeited and therefore as at the balance sheet date, there were no share options outstanding (2013 - 12,568). As per prior years the share option charge arising has not been recorded on the basis that it is immaterial.

14 Reserves

	Share premium £	Capital redemption reserve £	Profit and loss account £
At 1 July 2013	2,451,205	3,841	137,336
Profit for the year	-	-	523,903
	<hr/>	<hr/>	<hr/>
At 30 June 2014	2,451,205	3,841	661,239
	<hr/>	<hr/>	<hr/>

15 Reconciliation of movements in shareholders' funds

	2014 £	2013 £
Profit for the year	523,903	1,359,225
Share buy back	-	(467,498)
Issue of share capital	797	350
	<hr/>	<hr/>
Net additions to shareholders' funds	524,700	892,077
Opening shareholders' funds	2,603,682	1,711,605
	<hr/>	<hr/>
Closing shareholders' funds	3,128,382	2,603,682
	<hr/>	<hr/>

Nektan UK Limited

Notes forming part of the financial statements for the year ended 30 June 2014 (*continued*)

16 Commitments under operating leases

As at 30 June 2014, the company had annual commitments under non-cancellable operating leases as set out below:

	2014 Land and buildings £	2013 Land and buildings £
Operating leases which expire:		
Within one year	117,765	-
In two to five years	2,598	157,020

17 Related party transactions

The company is a wholly owned subsidiary of Nektan plc (formerly Nektan Holdings Limited) and has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related Party Transactions' not to disclose transactions with Nektan plc or other wholly owned subsidiaries within the group.

18 Ultimate controlling party

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

19 Post balance sheet events

Post year-end the parent company, Nektan plc completed an initial public offering and became a listed company on the Alternative Investment Market.