ARRIA

ARRIA NLG (UK) LIMITED

Annual Report and Financial Statements
for the Year Ended 30 September 2019

Company number 07812686

NATURAL LANGUAGE GENERATION

CONTENTS

COMPANY INFORMATION

Directors	Sharon Daniels Anthony Ferguson Barbara Kendall
Company Secretary	Thomas Makeig
Registered Office	Moore Stephens 150 Aldersgate Street London EC1A 4AB United Kingdom
Company Number	Registered in England and Wales number 07812686
Independent Auditor	KPMG LLP Chartered Accountants Statutory Auditor 15 Canada Square London E14 5GL United Kingdom
Solicitors	Clintons 55 Drury Lane Covent Garden London WC2B 5RZ United Kingdom
Registrars	Link Market Services Level 11, Deloitte Centre 80 Queen Street Auckland 1010 New Zealand

STRATEGIC REPORT

Principal Activities

The principal activities of the Group are the development of intellectual property in the field of Artificial Intelligence ("AI") known as Natural Language Generation ("NLG") in the form of software and software-as-a-service technologies. Arria owns, develops, and licenses its core, patented NLG technologies, which are made available via the Arria NLG Platform, to its clients and partners.

Business Description

Arria is a software development and licensing business. Our goal is to maintain global leadership in the development and commercialisation of Natural Language Generation (NLG) technologies and integrations.

Arria's NLG technologies drive a wide variety of applications that automatically convert data into rich, insightful written or spoken narrative and content across multiple industry verticals.

The market opportunity for Arria NLG is growing substantially as the demand to add machine-authored natural language summaries, explanations, reports and stories ("narratives") to every facet of business reporting and storytelling, including Business Intelligence (BI) analytics platforms, Robotic Processing Automation (RPA platforms, Conversational AI and Chatbot platforms.

Arria has developed a growing number of integrations with major BI platforms including; Microsoft PowerBI, Microsoft Excel, Tableau, QlikSense, Microstrategy and Tibco Spotfire. Arria has also developed an integration into UiPath's RPA platform. Additionally, Arria's technology seamlessly connects with Conversational AI and Chatbot technologies including Amazon Alexa, Microsoft Cortana, and others. Arria plans to continue integration with leading vendors in BI, RPA, Conversational AI and Chat. The Arria brand positioning for integrations is "Arria Connect".

Arria's technology can be deployed on premise, in the cloud and in a private dedicated cloud.

Arria's technology can also be embedded into other technology platforms as a white-labeled solution for companies wanting to add advanced NLG to their offering. In this case, the Arria brand positioning is "powered by Arria".

Business Structure

On the 12th September 2018 the Company completed a Scheme of Arrangement whereby Arria NLG Limited (a New Zealand company) (Arria NZ) became the wholly owned parent of Arria NLG (UK) Limited (a UK company) (Arria UK) and all of its assets.

What is Arria NLG?

Arria's NLG technologies are an advanced AI software system that can automatically write narratives directly from data streams. The report and story writing capabilities of Arria's NLG technologies are so advanced, each report reads as if written by a human subject matter expert, specifically for intended readers.

Arria NLG turns raw data into expertly written narratives in seconds, not hours or days. NLG starts working where current data analytics stop. This means the insights hidden within data can be instantly and automatically communicated, not just in numbers or spreadsheets, but in rich natural language narratives (written or spoken).

Arria has been recognized as a global leader in Natural Language Generation. Arria's core product is Arria NLG Studio, the world's first NLG toolset that combines both advanced Language Analytics and advanced linguistics in one platform.

STRATEGIC REPORT continued

Differentiation

Arria has deep roots in language generation with accomplished leadership in Natural Language Generation (NLG). Arria's advanced NLG capabilities are made possible through the combination of Language Analytics and Cognitive Linguistics.

- Language Analytics – Models data specifically for the preparation of narration. Narrative scripts will return things such as:

  Variance Analytics(time based)

  - What were my drivers
  - What were my offsets
  - Business rule – how many drivers and offsets are relevant to the conversation
  - Did I drop an entity from one time period to another? If so what impact does that have on my story – i.e. – dropping a product or adding a product to a given time period
  - Is my increase significant or insignificant?

- Cognitive Linguistics – Leverages what has been done in Language Analytics to craft the story, while ensuring narratives provides the right level of personalization, variation and is grammatically correct. Narrative output must be high quality and provide instant value to the business. Cognitive Linguistics enables the ability to build smart narratives that handle:

  - Describing countries (The United Kingdom, Germany)
  - Variation – (word choice, sentence choice, phrase choice)
  - Pluralization – inflectNoun and Verb etc.
  - Using numbers in narratives (number to words)
  - Referring expressions, etc....

The scientific foundation for Arria's NLG Technology is a specific and significant differentiator for the Group and is based on decades of research and development and knowledge gained by the founders of Arria Data2Text Limited at the University of Aberdeen and elsewhere. The Group's experts in artificial intelligence and computational linguistics have between them over 70-years' experience developing algorithms and modeling the processes involved in building advanced Natural Language Generation systems.

Arria NLG Studio ("Studio") is the world's first true NLG design tool that gives developers and non-developers alike (from novice to expert) the ability to automatically generate superbly written, natural language narratives, from multiple complex data sources. Arria NLG Studio makes the best of Arria's technologies available in one robust, easy-to-use tool. Arria NLG Studio gives users online access to the same, proven, rules-based linguistic capabilities and software architecture that Arria uses to build enterprise-level NLG systems for its global clients.

Description of The Arria NLG Platform

The Arria NLG Platform is an enterprise-level environment that supports the development, testing and deployment of NLG applications and integrations. It also supports user licensing management including identity, metering and billing.

STRATEGIC REPORT continued

The Arria NLG Ecosystem

Arria is developing an NLG ecosystem comprised of Arria Studio, Arria Exchange, Arria Store and Arria Space.

- **Arria NLG Studio is a development tool that** allows users to build and embed Arria NLG capabilities into their applications.
- **Arria NLG Space is an online community for education, training and thought leadership where everything NLG is shared.**
- **Arria NLG Exchange** is a platform containing prebuilt functions, building blocks and out-of-the-box projects to help accelerate the creation of NLG solutions using Arria NLG Studio.
- **Arria NLG Platform** is a comprehensive Center of Excellence (CoE) which facilitates the access, operational management and distribution of all aspects of the Arria NLG Ecosystem. The Arria NLG Platform is also licensed to partners wishing to build their own CoE leveraging Arria's methodologies, technologies and best practices.

Arria NLG is used to:

- Empower enterprise clients with the ability to gain access to information at machine speed, with a level of accuracy and consistency that surpasses that of a human expert, enabling organisations to scale in the most efficient, cost effective manner.

This includes the ability to:

- incorporate an expert's knowledge as to what is important about the data being analysed;
- incorporate the reasoning processes which an expert would use in analysing the data;
- enable the "best practice" knowledge of an organisation's most experienced experts to be permanently captured in the software, allowing the most efficient use of its scarce resources of expertise and avoiding knowledge loss when staff leave;
- improve quality control by standardising analytic and reporting practices;
- automate complex processes allowing corporations to reduce time and cost from those processes;
- enable the knowledge of expert resources at the centre of an organisation to be distributed to the operational edges of the organisation; and
- add narratives to existing Business Intelligence (BI) dashboards, Robotic Process Automation (RPA) platforms, and other analytics platforms providing both visual and narrative interpretation of the data being analyzed, in multiple dimensions.

Analysis

A key objective of data analytics is to enable the formulation of natural language narratives that can be used by people to make better decisions and to work more efficiently, adding value to business. Today, this process of producing what is known as "actionable analytics" still depends on intervention by human experts. The shortage of such human experts is a significant limitation on releasing the value that is often recognised as being locked up within Big Data. Arria's NLG technologies unlock that value.

Natural Language Technologies — Beyond Natural Language Generation (NLG)

Arria technology enables the ability to both query data as well as provide the response to the query. Arria interacts with datasets so that viewers can have an interactive multi-turn conversation with their data. With the release of 'Arria Answers' the offering will expand to further include aspects of Natural Language Query (NLQ), Natural Language Processing (NLP) and Natural Language Understanding (NLU).

STRATEGIC REPORT continued

Strategy and Business Model

The Group's objective is to be the global leader in the development and commercialisation of Natural Language Generation technologies. Our strategy and business model has evolved from its direct one-to-one professional services model to a highly scalable one-to-many licensing model. Arria's sales channels now include:

1. **Direct:** Through direct sale to large-scale enterprise clients who require assistance with custom configuration of NLG applications to suit specific use cases. Sales teams in the USA and EMEA are focused on working directly with clients. Developers in Aberdeen provide professional services. Once applications are built and deployed, a RunTime recurring license fee is charged.

2. **Partners:** Through strategic partners who further configure prebuilt NLG applications and/or license our developer tools to build their own applications to satisfy the demands of their client base. These relationships enable Arria to rapidly scale our business. Partners collect the professional service fees directly from their clients. Once applications are built and deployed, a RunTime recurring license fee is charged.

3. **Online:** Arria NLG Studio can be accessed online as a self-signup tool enabling the 18 million+ worldwide developer community as well as business users to configure and/or build their own NLG applications. Arria offers an initial free trial period. The license fee for Arria NLG Studio is $199 per month/per user seat. Once applications are built and deployed, an additional RunTime recurring license fee is charged.

4. **OEM:** Arria NLG technology can be embedded into other technology platforms as product enhancement to augment existing product capabilities. This offering targets any analytics platform that want to offer NLG narration to supplement visualisations. In this case, Arria licenses a white-label version of its technology on an annual basis with a 10% pre-pay upfront fee.

Key Competitive Advantage

Arria is the only NLG company that offers a configurable NLG tool in the form of Arria NLG Studio. Others offer mainly managed services and/or tools that do not offer users the ability to build and/or configure their own NLG applications. Additionally, Arria's technology is currently protected by 26 core patents with additional patents pending.

The company's core NLG technology is a customizable with built-in functionality that includes:

1. Multi-level Variation. The ability to vary the narrative naturally or according to scenario; providing document structure variation; and alternative words, phrases, clauses.

2. Reference. The ability to know how to refer to entities in the narrative and in so doing avoid confusing the reader when referring to multiple entities.

3. Aggregation. The ability to combine events to create a more readable, flowing narrative, and describe related events in the appropriate context.

4. Proper Modeling of the English Language. The ability to transform words based on the situation and create fluent language by using advanced morphology not bound by static templates.

The unique benefits of Arria's advanced, user-friendly NLG Studio Tool include the following:

1. The ability to apply domain knowledge in the manner preferred by subject matter experts; and Lexicalization Rules, creating narrative that is adaptable based on context, with easy-to-inject natural variations either at the word, phrase or clause level, along with the ability to apply transformations at a higher level of abstraction (such as applying correct tenses in a historical narrative).

2. Flexible Documents. The ability to adapt the document structure to the scenario, with words and phrases chosen according to their context, and the most important events or developments prioritized and located appropriately in the narrative.

STRATEGIC REPORT continued

3. Personalization. Writing text for the reader, not for the writer, with scale that is only possible through Arria NLG technology. The same data feeds different narratives, customized to the needs of the unique audience members.
4. Language Analytics. Analytics specific to the application, combined with advanced computational linguistics

We believe there is currently no competitive technology that approaches the sophistication of Arria's advanced NLG technology. Given appropriately conditioned data sets and initial subject matter expertise input, there is virtually no narrative output that our technology cannot automate.

Arria released Studio for BI 2.0 in May 2018

Arria NLG Studio for BI 2.0 was a major AI milestone as it enables the everyday use of Natural Language Generation in business via BI dashboards. It empowers BI dashboard users to easily add plain English summaries, explanations, reports and stories ("narratives") to their entire dashboard.

Studio for BI 2.0 enables users to add three levels of layered narrative sophistication to existing BI dashboards:

1. **Out-of-the-Box Narratives:** Enables BI dashboard users to select the data they want to describe, choose the type of analysis they want narrated (e.g. Variance, Statistics, Time-Series, etc.), choose how much information they want to display, then instantly generate expert plain English narratives filled with insights. No programming knowledge is required as Arria's Insight APIs do all of the heavy lifting.
2. **Extended Narratives:** Enables users to customize Arria's Out-of-the-Box Narratives with their own domain-specific language. This allows sophisticated users such as business analysts to have full control of their narratives.
3. **Programmable Narratives:** Enables users with some programming knowledge to use Studio's fully programmable interface to create narratives at any level of sophistication (from summaries to full reports and stories) and to add them to their BI dashboards as they choose.

As part of the breakthrough technologies powering Studio for BI 2.0, Arria developed insight detection algorithms referred to as Insight APIs. These insights provide the basis for Studio to be used to easily extend narratives for progressively more sophisticated use cases. Arria currently offers five Insight APIs: (1) Variance, (2) Statistics, (3) Distribution, (4) Time-Series, and (5) Correlation.

The narratives generated from Arria's Insight APIs allow BI dashboard users to instantly read and understand – directly in the context of their own dashboards – the key insights that are typically hidden within their datasets and visualisations.

Arria released Studio 3.0 in October 2019

This version of Arria NLG Studio brings with it a variety of enhancements and features designed to make Arria even easier to use.

We've added a variety of new functions that expedite the analysis of time series data and broaden the array of linguistic tools as well as the following new features and functions:

- Project Portal Redesign
  - UI improvements to the project portal
  - Foldering of projects
  - Ordering and filtering of projects
  - Grouping of projects based on status

STRATEGIC REPORT continued

- File Sizes:
  - Studio Runner file size limits increased
  - Sample data (inside Studio) file size changes:
    - Removal of 500 row / 5000 cell limits for table projects
    - File size increased from 200KB to 300KB
- Functions:
  - GroupBy for JSON
  - Sublist
- Table-type project performance optimisations
- Support changing ordering of columns in data
- General bug fixes
- Metering BI / Viewer Licence usage
- Documentation now requires sign-in to Studio account

The Directors are aware of the potential for competing products to draw new entrants to the field and for secret research efforts to be revealed in the form of new products by established companies. At any time, formidable competitive challenges to the Group in the NLG field might be offered by the most established players in the global software marketplace, or by new entrants. However, market intelligence as well as recent reports from both Gartner and Forrester reinforce Arria's belief that it has a substantial lead in terms of product sophistication and thus competitor time-to-market.

Continued IP Protection Via Patents

Arria's 26 core patents to date for its NLG technologies make Arria a leader in the patenting of NLG technologies, an achievement that reflects our heritage and status as a global scientific leader in the field of NLG. The Company has obtained at least one patent in response to each of its patent applications, and continues to add to the many patent applications on its evolving technology. We will continue our patent protection program in the coming year. We maintain a strong pipeline of innovation that will be distilled to patentable elements as the year progresses.

Partnerships

By building up NLG teams within our global partner base our strategic plan is to increase revenues attributable to license fees without the need to build an expansive professional services organization. Genpact, Deloitte, Cognizant, Accenture, Intellectyx, Acronotics, WeCrunch, Changepond, Bank of NY Mellon, Eagle Investments, IBM, Microsoft and UiPath are examples of partners that have been trained on our NLG tools to create their own NLG teams to sell, build and deploy Arria NLG powered solutions directly to their client base.

We expect more Fortune 1000 and enterprise clients to adopt a similar partner approach to building and selling NLG applications and solutions using our NLG tools and the tools we make available on cloud platforms.

Sales Team

As our product and go-to-market strategies have evolved, so have our sales and marketing tactics shifted to accommodate that evolution. The Company has moved from a single professional services sales team, seeking large-scale clients for custom NLG projects, to dedicated partnership and product teams and business development teams for NLG products. Our global sales footprint will expand to grow in line with market demand.

STRATEGIC REPORT continued

Arria's current and future client base is heavily focused on North America, EMEA and Asia-Pacific, which continues to drive much of our planning for growth. We strive to develop our core technologies in our comparatively low cost development centers in Aberdeen and Sydney while seeking to place the bulk of our sales and delivery resources in the USA.

Future Developments

Business Update

We have refined and matured our underlying technology base to build software that we call the Arria NLG Platform and are now positioned to enable the exploitation of this technology base via additional channels. During 2018 and 2019 we continued to diversify our client base while maintaining focus on core revenue streams. The interest in NLG technology from customers focused on Banking, Financial Services, Insurance, Health Care, Industrial Control Systems, News and Media, Internet of Things and Natural Sciences continue to show strong promise in terms of future growth. We expect the focus on AI reporting and advisory to continue to move steadily from the domain of large enterprises to small and medium sized businesses.

Fundraising

Over the past 8-years, the Arria Group has funded the ongoing advancement of its technology and market position via private placements to wholesale/accredited investors. As at the end of this financial year, Arria NZ, (the Group), has raised in excess of £67 million of which £15 million has been raised in the current period. This has been raised in the form of share capital in Arria NZ (£13.5 million) and loan facilities including the issue of payment in kind (PIK) notes in lieu of interest (£1.5 million). Since balance date a further £5 million has been raised by Arria NZ in the form of share capital.

During the year the Company held convertible loan notes and PIK notes to the value of £9.3 million. During the year a total of £7.9 million were converted to equity in Arria NZ. As at the year end a total of £1.4 million were outstanding. Since balance date a total of £114,000 have been converted to equity in Arria NZ and £1.2m have been repaid in cash. The remaining balance is in the process of being converted to equity in Arria NZ. In recognition for converting early in fiscal year 2019, the holders were offered the same terms as the Series C offer which included conversion at a share price of US$0.50 and two offer options at US$0.50 for each share issued.

Key performance indicators

The Group continued to incur losses as it delivered the key components of its strategic plan set out above. The Group has continued to be successful in its ability to attract funding as detailed above.

As anticipated, as the Group transitioned from a professional services model to a license-based revenue model, headline revenues for the year increased 110% to £1,080,000 (2018: £514,000).

Arria NLG (UK) Limited's loss before tax increased from £6.8 million to £24.3 million. This included a non-cash share based payment charge of £10.3 million in the year (2018: £0.4 million credit).

Throughout the current fiscal year, the majority of all of the loan notes were converted to equity within the new parent, Arria NLG Limited (Arria NZ).

Operating costs excluding amortisation, depreciation and share based payments charges in 2019 increased by 18% to £8.0 million (2018: £6.8 million).

Average net monthly costs during the period, excluding non-recurring transaction costs, amortisation, depreciation, capitalised software development costs and share based payments increased by 9% to £616,000 per month (2018: £565,000) This increase is due mainly to an increase in consultant costs.

STRATEGIC REPORT continued

2019 Operating Costs	*Total Costs (\$000s)*	*Average Costs (\$000s)*
Operating costs	20,331	1,694
Amortization expenses	(2,018)	(168)
Depreciation expenses	(38)	(3)
Capital raise expenses	(546)	(46)
Share based payment expenses	(10,332)	(861)
Net adjusted operating costs	7,397	616

The monthly average number of employees (including Executive Directors but excluding consultants) in the Group during the year was 60 (2018: 61)

The Directors continue to believe this level of operating cost to be commensurate with securing the opportunity at hand and supporting the Group's customers' stated plans and delivering the Group's strategic plan.

Research and Development

The Group is committed to advanced NLG innovation, research, design and development of product.

Principal Risks and Uncertainties

The principal risks and uncertainties to which the Group is exposed include:

Dependence on equity and debt financing

The Company is dependent on investors to fund its operations. Further information on the Group's reliance in the near term on attracting additional equity and loan investment is included in the Directors' Report in the section on Going Concern.

Cybersecurity risks

The Company and its subsidiaries rely on certain key systems and technologies to ensure continued operation, exposing the Company to a significant risk as the systems are vulnerable to damage or interruption from a variety of sources including, but not limited to, computer viruses, data breaches and computer intrusions and attacks. Furthermore, employees or contractors, as well as third parties, may break in, sabotage or vandalise the Group's systems or misappropriate information including information of clients and their users. Any unexpected data breach, malfunction or attack on systems or technologies may have a material detrimental effect to the Company's business, results of operation and financial condition.

Litigation alleging infringement of intellectual property rights

The Company's business and prospects may be seriously harmed if it is unable to adequately protect and enforce its intellectual property rights or avoid actions by others to enforce their rights. To date, no such claims have been presented by or against the Company or its subsidiaries.

STRATEGIC REPORT continued

The Company's business and prospects are highly dependent on its intellectual property, primarily the NLG technologies protected by withholding source code, imposing restrictive covenants and assignment of inventions on employees and consultants, asserting copyright in software and building a portfolio of US patents on key innovations. Efforts the Company makes to develop and protect exclusionary intellectual property rights and to avoid running afoul of the exclusionary rights of others many not be successful. The Company may not be able to identify all unauthorized uses or take effective action against infringement, and it may inadvertently infringe the exclusionary rights of others. As a result, the Company or its subsidiaries may assert or become subject to litigation and claims, including claims of misappropriation of trade secrets or infringement of patents, copyrights, trademarks and other intellectual property rights of third parties that would be time-consuming and costly to resolve and could lead to unfavorable judgments or settlements.

The Strategic Report was approved by the Board of Directors on 23 March 2020 and signed on its behalf.

Sharon Daniels

Sharon Daniels
Chairperson and Chief Executive Officer
Arria NLG (UK) Limited

DIRECTORS' REPORT

The Directors present their report and the audited consolidated Financial Statements for the year ended 30 September 2019 for Arria NLG (UK) Limited, which is domiciled in the United Kingdom.

Going Concern

Notwithstanding the loss before tax of £24.3 million (2018: £6.8 million), the net current liability position of £18.4 million (2018: £8.8 million) and net liabilities of £3.6 million (2018: £0.5 million) the accounts have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons. Reference to "Group" below means Arria NLG (UK) Limited and its subsidiaries.

All capital raise activities and the issuance of securities are undertaken by Arria NZ, the immediate and ultimate parent of the Company, on behalf of the Group. These funds are then transferred to the Group and Company via intercompany loans. Arria NZ is in the process of seeking further fundraising in the form of closing out the Series C Raise and has commenced the Series D Raise from a number of sources, to provide adequate working capital to support the ongoing commercialisation of its Natural Language Generation technology, promotion and enhancement of the recently launched Arria NLG Studio, marketing of the Arria NLG Ecosystem, and to enable the Group and Company to continue as a going concern.

Since the balance sheet date, Arria NZ, as part of the Series C and D Raise, has raised £5 million in new capital.. A further £1.3 million has been subscribed for and is pending collection. This is in addition to the £15 million raised by Arria NZ in the year to 30 September 2019.

The C Series fundraising round has been closed and is pending final collection of funds which is currently being held in escrow. D Series fundraising has commenced and the directors of Arria NZ anticipate further funds to be received over the next 6 months from the date of this report to complete and are confident in securing sufficient additional funding within the next financial year, for its medium to long term requirements

The Directors of the Group have prepared a business plan and cash flow forecast for the period to 30 September 2021. The forecast contains certain assumptions about future sales, the gross margins achievable, the level of other operating expenses, and the amount of cash received from Arria NZ. In addition to this business plan, the Directors have considered various severe but plausible downside sensitivities and certain mitigating actions that management can implement that are within the control of the Company to ensure the ongoing operation of the Group and Company.

The forecasts are dependent on Arria NZ not seeking repayment of the amounts currently owed by the Group and Company, and providing additional financial support during that period. Arria NZ has indicated its intention to continue to make available such funds as are needed by the Group and Company, and that it does not intend to seek repayment of the amounts owing at or loaned since the balance sheet date, for the period of at least 12 months from the date of these financial statements. As with any Group and Company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

DIRECTORS' REPORT continued

However, the ability of Arria NZ to continue to provide this financial support is dependent on its ability to raise additional funding in the market and, if successful, passing on these funds to the Group and Company. The required additional capital that needs to be raised is not yet committed and whilst the directors of Arria NZ having previously raised such capital in recent years, have confidence in their ability to raise additional funds, there is no certainty that it will be successful at the time that it may be required. This uncertainty has been further increased due to the impact on Covid-19 on the capital markets.

Based on these indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Political and Charitable Donations

The were no political or charitable donations in the year (2018: Nil).

Dividends

The Directors do not recommend the payment of a dividend (2018: Nil).

Financial Risk Management

Details of the Company's policies on Financial Risk Management are disclosed in note 23 of the consolidated Financial Statements.

Subsequent Events

Fundraising

Since the balance sheet date, the Group (Arria NZ) has raised £5 million in the form of Series C and D Raise.

Loan Note Conversion

Since balance date a total of £114,000 have been converted to equity in Arria NZ and £1.2m have been repaid in cash. The remaining balance is in the process of being converted to equity in Arria NZ. In recognition for converting early in fiscal year 2019, the holders were offered the same terms as the Series C offer which included conversion at a share price of US$0.50 and two offer options at US$0.50 for each share issued.

COVID-19

The COVID-19 outbreak developed rapidly in 2020, with a significant number of infections. Measures have been taken by the UK Government and other Governments around the world to contain the virus have had a significant impact on economic activity.

Measures to prevent the transmission of the virus include, but not limited to:

- Limiting the movement of people, including requesting that people work from home;
- Restricting flights and other travel; and
- Temporarily closing businesses, schools and cancelling events.

DIRECTORS' REPORT continued

These actions will have an immediate impact on businesses across a wide range of industries. It will also begin to affect supply chains and production of goods throughout the world and lower economic activity is likely to result reduced demand for many goods and services.

To date, the business has not suffered any material impact from the actions taken by the Government in response to COVID 19. The Group's principle activity is the provision of software services and our staff are able to continue with work by working remotely. The measure may impact future sales and margins but this is currently unclear.

Directorate and Chairperson Changes

The current Board of Directors of the Company consists of:

	Appointed	*Status*	*Director Status*
Sharon Daniels	14/09/2015	Active	Chairperson and Chief Executive Officer
Barbara Kendall	22/05/2017	Active	Independent Non-Executive Director
Anthony Ferguson	08/02/2018	Active	Independent Non-Executive Director

Former directors who served the Company up to the date of this report along with the date of their appointment and resignation from the board were as follows;

	Appointed	*Resigned*	*Director Status*
Stuart Sugarman	18/03/2017	25/02/2019	Non-Executive Director

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained during the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Corporate Responsibility

The Board recognises its employment, environmental and health and safety responsibilities. It devotes appropriate resources towards monitoring and improving compliance with existing standards. The Executive Directors have responsibility for these areas at Board level, ensuring that the Group's policies are upheld and providing the necessary resources.

Employees

The Board recognises that the Group's employees are its most important asset. The Group is committed to achieving equal opportunities and to complying with anti-discrimination legislation. It is established Group policy to offer employees and job applicants the opportunity to benefit from fair employment, without regard to their sex, sexual orientation, marital status, race, religion or belief, age or disability. Employees are encouraged to train and develop their careers.

The Group has continued its policy of informing all employees of matters of concern to them as employees, both in their immediate work situation and in the wider context of the Group's well-being. Communication with employees is affected through the Board, the Group's management briefings structure, formal and informal meetings and through the Group's information systems.

Statement of Directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

DIRECTORS' REPORT continued

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations or, have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Statement of disclosure of information to auditor

Each Director confirms that, to the best of each person's knowledge and belief:

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(b) he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

The Directors Report was approved by the Board of Directors on 23 March 2020 and signed on its behalf.

Sharon Daniels

Sharon Daniels
Chairperson and Chief Executive Officer
Arria NLG (UK) Limited

150 Aldersgate Street
London EC1A 4AB
United Kingdom

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARRIA NLG (UK) LIMITED

Opinion

We have audited the financial statements of Arria NLG (UK) Limited ("the company") for the year ended 30 September 2019 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and Company Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 to the financial statements which indicates that the Group and Company's ability to continue as a going concern is dependent on additional capital being raised by December 2020. These events and conditions, along with the other matters explained in note 2, constitute a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such the recoverability of goodwill and other intangible assets and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARRIA NLG (UK) LIMITED continued

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 12, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARRIA NLG (UK) LIMITED continued

The purpose of our audit work and to whom we owe our responsibilities

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.

David Benson

David Benson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

24 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	*Year ended 30 September 2019 (£000's)*	*Year ended 30 September 2018 (£000's)*
Revenue	4	1,080	514
Cost of sales		(1,459)	(878)
Gross profit		(379)	(364)
Administrative expenses			
– Share-based payments	7	(10,332)	366
– Amortisation of intangibles	12	(2,018)	(1,584)
– Other administrative costs		(7,981)	(6,795)
Total administrative expenses		(20,331)	(8,013)
Operating loss	5	(20,710)	(8,377)
Finance income	8	15	3,107
Finance expense	9	(3,621)	(1,500)
Loss before tax		(24,316)	(6,770)
Taxation	10	944	1,139
Loss for the year		(23,372)	(5,631)
Other comprehensive expense			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		(61)	(7)
Total comprehensive expense for the year		(23,433)	(5,638)
Attributable to:			
– **owners of the parent**		(23,433)	(5,638)

The results reflected above relate to continuing activities.

The accompanying notes on pages 26 to 68 are an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

	Notes	*30 September 2019 ($000's)*	*30 September 2018 ($000's)*
ASSETS			
Non-current assets			
Goodwill	11	14,353	14,353
Other intangible assets	12	4,752	6,941
Property, plant and equipment	13	125	39
Advances	3	314	–
Trade and other receivables	15	151	25
		19,695	21,358
Current assets			
Trade and other receivables	15	1,448	1,441
Cash and cash equivalents	16	2,807	422
		4,255	1,863
TOTAL ASSETS		23,950	23,221
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	20	134	134
Share premium	20	13,817	13,817
Merger reserve	21	21,830	21,830
Other reserves	21	(33)	28
Equity contribution from parent	21	16,206	–
Accumulated losses	21	(55,528)	(36,318)
TOTAL EQUITY		(3,574)	(509)
Non-current liabilities			
Deferred tax	19	570	812
Borrowings	18	4,088	11,748
Derivative liability	3	124	463
		4,782	13,023
Current liabilities			
Trade and other payables	17	17,357	7,051
Borrowings	18	5,318	3,656
Derivative liability	3	67	–
		22,742	10,707
TOTAL LIABILITIES		27,524	23,730
TOTAL EQUITY AND LIABILITIES		23,950	23,221

These Financial Statements were approved and authorised for issue by the Board of Directors on 23 March 2020 and were signed on its behalf by:

Sharon Daniels
Chairperson and Chief Executive Officer

Company number: 07812686

The accompanying notes on pages 26 to 69 are an integral part of these Financial Statements.

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

	Notes	30 September 2019 (£000's)	30 September 2018 (£000's)
ASSETS			
Non-current assets			
Investment in subsidiaries	14	34,098	25,325
Other intangible assets	12	23	26
Property, plant and equipment	13	17	3
Advances	3	314	–
Trade and other receivables	15	5	4
		34,457	25,358
Current assets			
Trade and other receivables	15	21,521	20,383
Other financial assets		–	1
Cash and cash equivalents	16	4	38
		21,525	20,422
TOTAL ASSETS		55,982	45,780
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	20	134	134
Share premium	20	13,817	13,817
Merger reserve	21	21,830	21,830
Other reserves	21	22	22
Equity contribution from parent	21	16,206	–
Accumulated losses	21	(18,567)	(14,151)
TOTAL EQUITY		33,442	21,652
Non-current liabilities			
Borrowings	18	4,088	11,748
Derivative liability	3	124	463
		4,212	12,211
Current liabilities			
Trade and other payables	17	12,943	8,261
Borrowings	18	5,318	3,656
Derivative liability	3	67	–
		18,328	11,917
TOTAL LIABILITIES		22,540	24,128
TOTAL EQUITY AND LIABILITIES		55,982	45,780

These Financial Statements were approved and authorised for issue by the Board of Directors on 23 March 2020 and were signed on its behalf by:

Sharon Daniels
Chairperson and Chief Executive Officer

Sharon Daniels

Company number: 07812686

The accompanying notes on pages 26 to 69 are an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2019

Group	*Notes*	*Share Capital (£000's)*	*Share Premium (£000's)*	*Merger Reserve (£000's)*	*Other Accumulated Reserves (£000's)*	*Capital Contribution Reserve (£000's)*	*Other Accumulated Losses (£000's)*	*Total Equity (£000's)*
As at 1 October 2017			12,568	21,830	35	–	(30,321)	4,236
Issue of shares	20	10	1,315	–	–	–	–	1,325
Share issue transaction costs	20	–	(66)	–	–	–	–	(66)
Share based payment expense	7	–	–	–	–	–	(366)	(366)
Total contributions by owners of the Company		10	1,249	–	–	–	(366)	893
Loss for the year		–	–	–	–	–	(5,631)	(5,631)
Foreign exchange on translation reserve		–	–	–	(7)	–	–	(7)
Loss and total comprehensive expense for the year		–	–	–	(7)	–	(5,631)	(5,638)
As at 30 September 2018		134	13,817	21,830	28	–	(36,318)	(509)
As at 1 October 2018		134	13,817	21,830	28	–	(36,318)	(509)
Issue of shares	20	–	–	–	–	–	–	–
Share issue transaction costs	20	–	–	–	–	–	–	–
Share based payment expense	7	–	–	–	–	6,299	4,033	10,332
Share based payment investment in subsidiaries		–	–	–	–	–	–	–
Share based payment interest expense	7	–	–	–	–	–	129	129
Total contributions by owners of the Company		–	–	–	–	6,299	4,162	10,461
Loss for the year		–	–	–	–	–	(23,372)	(23,372)
Equity contribution from parent		–	–	–	–	9,907	–	9,907
Foreign exchange on translation reserve		–	–	–	(61)	–	–	(61)
Loss and total comprehensive expense for the year		–	–	–	(61)	9,907	(23,372)	(13,526)
As at 30 September 2019		134	13,817	21,830	(33)	16,206	(55,528)	(3,574)

The above statement should be read in conjunction with the accompanying notes.

The accompanying notes on pages 26 to 69 are an integral part of these Financial Statements.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2019

Company	*Notes*	*Share Capital (£000's)*	*Share Premium (£000's)*	*Merger Reserve (£000's)*	*Other Accum-ulated Reserves (£000's)*	*Capital Contr-ibution Reserve (£000's)*	*Other Accum-ulated Losses (£000's)*	*Total Equity (£000's)*
As at 1 October 2017		124	12,568	21,830	22	–	(13,017)	21,527
Issue of shares	20	10	1,315	–	–	–	–	1,325
Share issue transaction costs	20	–	(66)	–	–	–	–	(66)
Share based payment expense	7	–	–	–	–	–	(366)	(366)
Total contributions by owners of the Company		10	1,249	–	–	–	(366)	893
Loss for the year		–	–	–	–	–	(768)	(768)
Foreign exchange on translation reserve		–	–	–	–	–	–	–
Loss and total comprehensive expense for the year		–	–	–	–	–	(768)	(768)
As at 30 September 2018		134	13,817	21,830	22	–	(14,151)	21,652
As at 1 October 2018		134	13,817	21,830	22	–	(14,151)	21,652
Issue of shares	20	–	–	–	–	–	–	–
Share issue transaction costs	20	–	–	–	–	–	–	–
Share based payment expense	7	–	–	–	–	(2,474)	4,033	1,559
Share based payment investment in subsidiaries		–	–	–	–	8,773	–	8,773
Share based payment interest expense	7	–	–	–	–	–	129	129
Total contributions by owners of the Company		–	–	–	–	6,299	4,162	10,461
Loss for the year		–	–	–	–	–	(8,578)	(8,578)
Equity contribution from parent		–	–	–	–	9,907	–	9,907
Foreign exchange on translation reserve		–	–	–	–	–	–	–
Loss and total comprehensive expense for the year		–	–	–	–	9,907	(8,578)	1,329
As at 30 September 2019		134	13,817	21,830	22	16,206	(18,567)	33,442

The above statement should be read in conjunction with the accompanying notes.

The accompanying notes on pages 26 to 69 are an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	*Year ended 30 September 2019 (£000's)*	*Year ended 30 September 2018 (£000's)*
Cash flows from operating activities			
Loss for the year		(23,372)	(5,631)
Adjustments for:			
Tax	10	(944)	(1,139)
Depreciation of plant and equipment	13	38	45
Loss on sale of assets		1	6
Finance income	8	(15)	(3,107)
Finance expense	9	3,621	1,500
Amortisation of intangible assets	12	2,189	1,655
Tax credit received	10	702	898
Share based payments	7	10,332	(366)
Operating cash out flows before movements in working capital		(7,448)	(6,139)
Increase in trade and other receivables		(447)	(301)
Increase/(decrease) in trade and other payables		9,615	(677)
Net cash used in operating activities		1,720	(7,117)
Cash flows from investing activities			
Interest received		1	5
Purchase of plant and equipment	13	(125)	(7)
Proceeds from sale of plant and equipment		–	1
Purchase of intangible assets	12	–	(653)
Net cash used in investing activities		(124)	(654)
Cash flows from financing activities			
Proceeds from loan notes	18	1,018	5,509
Proceeds from other short-term loan		1,478	2,425
Loan note issue transaction costs	18	–	(129)
Repayment of loan notes and other debt		(2,111)	(944)
Interest paid		(377)	(60)
Share issue transaction costs	20	–	(66)
Proceeds from issue of ordinary shares	20	–	1,325
Net cash generated from financing activities		8	8,060
Net increase in cash and cash equivalents		1,604	289
Cash and cash equivalents at the beginning of the year		422	–
Exchange gains on cash and cash equivalents		781	133
Cash and cash equivalents at end of the year	16	2,807	422

The accompanying notes on pages 26 to 69 are an integral part of these Financial Statements.

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	*Year ended 30 September 2019 (£000's)*	*Year ended 30 September 2018 (£000's)*
Cash flows from operating activities			
Loss for the year		(8,578)	(768)
Adjustments for:			
Depreciation of plant and equipment	13	3	4
Finance income	8	(15)	(3,102)
Finance expense	9	3,516	1,458
Amortisation of intangible assets	12	3	3
Share based payments	7	1,559	(366)
Operating cash out flows before movements in working capital		(3,512)	(2,771)
Increase in trade and other receivables		(1,454)	(7,400)
Increase in trade and other payables		4,238	1,958
Net cash used in operating activities		(728)	(8,213)
Cash flows from investing activities			
Purchase of plant and equipment	13	(17)	(3)
Net cash used in investing activities		(17)	(3)
Cash flows from financing activities			
Proceeds from loan notes	18	1,018	5,509
Proceeds from other short-term loan	18	1,478	2,425
Loan note issue transaction costs	18	–	(129)
Repayment of loan notes		(2,111)	(944)
Interest paid		(271)	(19)
Share issue transaction costs	20	–	(66)
Proceeds from issue of ordinary shares	20	–	1,324
Net cash generated from financing activities		114	8,100
Net decrease in cash and cash equivalents		(631)	(116)
Cash and cash equivalents at the beginning of year		38	–
Exchange gains on cash and cash equivalents		597	154
Cash and cash equivalents at end of year	16	4	38

The accompanying notes on pages 26 to 69 are an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Group develops software that provides natural language generation ("NLG") services and Software as a Service (SaaS) services to industry.

The Company is a private limited company domiciled in the United Kingdom and incorporated under registered number 07812686 in England and Wales. The Company was incorporated on 17 October 2011. The Company's registered office is Moore Stephens, 150 Aldersgate Street, London EC1A 4AB, United Kingdom.

On 12 September 2018 the Company (Arria UK) completed a scheme of arrangement under Part 26 of the UK Companies Act 2006 whereby all the ordinary shares of the Company were exchanged for ordinary shares of a new New Zealand company, Arria NLG Limited (Arria NZ). The scheme of arrangement was approved by the Arria UK shareholders at meetings on 13 August 2018 and by the London High Court following a hearing on 11 September 2018. The scheme was completed with the filing of the High Court order on 12 September 2018.

Since the completion of the scheme of arrangement, Arria UK has been operated as a wholly owned subsidiary of Arria NZ.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated Financial Statements have been prepared under the historical cost convention, as modified by the financial assets and financial liabilities (including derivative financial instruments at fair value through the profit and loss).

The principal accounting policies applied in the preparation of these consolidated Financial Statements are set out below. Arria NLG (UK) Limited is exempt under companies act 2006 section 408 from the requirement to prepare its own profit and loss account. These policies have been consistently applied to both years presented, unless otherwise stated.

Going Concern

Notwithstanding the loss before tax of £24.3 million (2018: £6.8 million), the net current liability position of £18.4 million (2018: £8.8 million) and net liabilities of £3.6 million (2018: £0.5 million) the accounts have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons. Reference to "Group" below means Arria NLG (UK) Limited and its subsidiaries.

All capital raise activities and the issuance of securities are undertaken by Arria NZ, the immediate and ultimate parent of the Company, on behalf of the Group. These funds are then transferred to the Group and Company via intercompany loans. Arria NZ is in the process of seeking further fundraising in the form of closing out the Series C Raise and has commenced the Series D Raise from a number of sources, to provide adequate working capital to support the ongoing commercialisation of its Natural Language Generation technology, promotion and enhancement of the recently launched Arria NLG Studio, marketing of the Arria NLG Ecosystem, and to enable the Group and Company to continue as a going concern.

Since the balance sheet date, Arria NZ, as part of the Series C and D Raise, has raised £5 million in new capital.. A further £1.3 million has been subscribed for and is pending collection. This is in addition to the £15 million raised by Arria NZ in the year to 30 September 2019.

The C Series fundraising round has been closed and is pending final collection of funds which is currently being held in escrow. D Series fundraising has commenced and the directors of Arria NZ anticipate further funds to be received over the next 6 months from the date of this report to complete and are confident in securing sufficient additional funding within the next financial year, for its medium to long term requirements

NOTES TO THE FINANCIAL STATEMENTS continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

The Directors of the Group have prepared a business plan and cash flow forecast for the period to 30 September 2021. The forecast contains certain assumptions about future sales, the gross margins achievable, the level of other operating expenses, and the amount of cash received from Arria NZ. In addition to this business plan, the Directors have considered various severe but plausible downside sensitivities and certain mitigating actions that management can implement that are within the control of the Company to ensure the ongoing operation of the Group and Company.

The forecasts are dependent on Arria NZ not seeking repayment of the amounts currently owed by the Group and Company, and providing additional financial support during that period. Arria NZ has indicated its intention to continue to make available such funds as are needed by the Group and Company, and that it does not intend to seek repayment of the amounts owing at or loaned since the balance sheet date, for the period of at least 12 months from the date of these financial statements. As with any Group and Company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

However, the ability of Arria NZ to continue to provide this financial support is dependent on its ability to raise additional funding in the market and, if successful, passing on these funds to the Group and Company. The required additional capital that needs to be raised is not yet committed and whilst the directors of Arria NZ having previously raised such capital in recent years, have confidence in their ability to raise additional funds, there is no certainty that it will be successful at the time that it may be required. This uncertainty has been further increased due to the impact on Covid-19 on the capital markets.

Based on these indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Adoption of new and revised International Financial Reporting Standards

New and amended standards adopted by the Group

The Group has initially applied IFRS 15 and IFRS 9 from 1 October 2018. Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

NOTES TO THE FINANCIAL STATEMENTS continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 October 2018). Accordingly, the information presented for 30 September 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

Management have reviewed all of the revenue arrangements across the Group and the move to IFRS 15 has not materially affected the value or timing of revenue recognition of any of the revenue types of the Group, there was no transition adjustment.

IFRS 9 Financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets and financial liabilities. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

Management have reviewed all of the financial instruments across the Group and the move to IFRS 9 has not materially affected the financial statements of the Group, no transition adjustment was required.

The simplified approach has been applied to the impairment of trade receivables. The main difference on this is that allowances for bad debts is made at the inception of the debt based on expected credit losses, rather than on an incurred loss model, as an impairment trigger is no longer required before impairment is recognised. This affects the accounts by making the bad debt provision larger and more volatile, however given the low level of bad debt history for the Group, this is not material in 2019. Due to the transition method chosen, comparative information has not been restated to reflect the new requirements.

New standards and interpretations not yet adopted

The following new standards will be incorporated in the new fiscal year.

New standards

IFRS 16 – Leases (effective from annual periods beginning on or after 1 January 2019)

The Company is required to adopt IFRS 16 Leases from 1 October 2019. The Company has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because:

- The Company has not finalised the testing and assessment of controls over its systems to capture and record all data in line with the standard requirements.
- The new accounting policies are subject to change until the Company presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its rights to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

NOTES TO THE FINANCIAL STATEMENTS continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

Leases in which the Company is a lessee

The Company will recognise new assets and liabilities for its operating leases for office property and equipment. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for the right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Company will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Company will include the payments due under the lease in its lease liability.

If the Group early adopted the new standard in the next financial year, it would have the following potential impact on the consolidated financial statements of the Group for the year ending 30 September 2019:

- Lease liabilities and the right of use asset would increase by £891,000 on adoption date;
- Increase in the depreciation expense by £138,000;
- Increase in the interest expense by £5,000; and
- Reduction of operating lease rental costs of £141,000.

These would be non-cash adjustments to the consolidated financial statements applied for financial reporting purposes only.

Transition

The Group currently intends to adopt the modified retrospective approach under IFRS 16 in the period ending 30 September 2020 and will not restate comparative amounts for the period prior to the first adoption.

IFRIC 23 – Uncertainty over Income Tax Treatments

In determining how the tax treatment adopted in a tax return should be reflected in the financial statements, IFRIC 23 indicates that the key test is to consider whether it's probable that the tax authority will accept the company's chosen tax treatment.

- If it is deemed probable that a particular tax treatment will be accepted, the entity shall use the same tax treatment included in its income tax filings to prepare its financial statements.
- If the is deemed not probable that a particular tax treatment will be accepted, the entity shall use the most likely amount or the expected value of the tax treatment. The measurement should reflect the uncertainty involved.

The Group does not anticipate any issues with this new standard and will make the appropriate modifications to the financial statements should any issues be determined.

There are no other new or amended standards that the Group is aware of that are issued but not yet effective that are expected to have a material impact on the Group.

NOTES TO THE FINANCIAL STATEMENTS continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

Basis of consolidation

The Group Financial Statements consolidate the Financial Statements of Arria NLG (UK) Limited and all of its subsidiary undertakings. The Consolidated Statement of Comprehensive Income includes the results of all subsidiary undertakings from the date on which control passes. Control is achieved where the Company (or one of its subsidiary undertakings) obtains the power to govern the financial and operating policies of an investee entity so as to derive benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The Group recognises any non-controlling interest in the acquiree at fair value. Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. The full goodwill method has been applied. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions and balances and unrealised gains or losses on transactions between Group companies are eliminated in full. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Taxation

Income tax expense represents the sum of the current tax and deferred tax charge for the year.

Current tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Research and development tax credits are recognised as a credit to current tax expense when the credit has been approved for payment by the tax authority.

Deferred tax

Deferred income taxes are provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred income taxes are determined using tax rates that have been enacted or substantively enacted and are expected to apply when the related deferred income tax asset is realised or the related deferred income tax liability is settled.

NOTES TO THE FINANCIAL STATEMENTS continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

The principal temporary differences arise from depreciation or amortisation charged on assets and tax losses carried forward. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences and unused tax losses can be utilised.

Foreign currencies

(i) Functional and presentational currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which each entity operates ("the functional currency") which is considered by the Directors to be that of the predominant local currency. (£). The Financial Statements have been presented in Great Britain Pounds (£).

Management will monitor the future periods for any changes to this assessment.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Group Companies

The results and financial position of all the Group entities that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at closing rate at the date of the statement;

(b) the income and expenses are translated at average exchange rates for year; and

(c) all resulting exchange differences are recognised in equity.

Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of VAT. The Group recognises revenue when it meets the performance obligations identified in the contract, as described below.

Revenue relating to software development that is contracted on a time and materials or fixed rate basis is recognised on a 'point in time basis' upon completion of the relevant performance obligations, whether the project or when control has been successfully transferred to the client.

Revenue relating to the sale of time-based software licences is recognised on an 'over time basis' for the period to which the license relates on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

Typically, a number of the above elements are sold together as a bundled contract. Where this happens the separate performance obligations in the contract are identified and the total transaction price is determined. The revenue will then be allocated to the separate performance obligation. The Group may derive fair value for its services based on the stand-alone selling price, or a reliable cost estimate plus an appropriate market-based margin.

Revenue in respect of licences is generally billed in advance and revenue related to development is billed on a milestone basis. If the amount of revenue recognised exceeds the amount invoiced to customers the excess is recorded as accrued income within accounts receivable. The excess of fees invoiced over revenue recognised is recorded as deferred revenue.

Interest Income

Interest income is recognised using the effective interest method.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. Balances due from customers are reviewed regularly by management and potentially uncollectible balances are reserved on an individual basis.

Loans and receivables

Loans and receivables are financial assets that have fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents.

As of 1 October, 2018, the group has applied the new standard, IFRS 9. IFRS 9 sets out requirements for recognising and measuring financial assets and financial liabilities. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. Management has reviewed all of the financial instruments across the Group and the move to IFRS 9 has not materially affected the financial statements of the Group.

The simplified approach has been applied to the impairment of trade receivables. The main difference on this is that allowances for bad debts is made at the inception of the debt based on expected credit losses, rather than on an incurred loss model, as an impairment trigger is no longer required before impairment is recognised. This affects the accounts by making the bad debt provision larger and more volatile, however given the low level of bad debt history for the Group, this is not material in 2019. Due to the transition method chosen, comparative information has not been restated to reflect the new requirements.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each year end. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Balances due from customers are reviewed regularly by management and potentially uncollectible balances are reserved on an individual basis. Any impairment charge is recorded in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

Equity instruments

An equity instrument is any instrument with a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments (Ordinary shares) are recorded at the proceeds received, net of direct issue costs.

Merger reserve

Where more than 90% of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company, merger relief under the Companies Act 2006 is attracted. The premium on the new shares issued is credited to the merger reserve.

Cash and cash equivalents

Cash and cash equivalents comprise deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

Trade receivables

The Group recognises loss allowances for Expected Credit Losses ('ECLs') on trade receivables and gross amounts due from customers, measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience, informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

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 less (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.

Borrowings

Convertible loan notes have a mandatory redemption date and are therefore classified as debt. The loan notes are convertible at the holder's option and the Company has the option to repay these early. The conversion ratio may be adjusted on the issue of new shares and therefore the conversion option does not meet the definition of an equity instrument. The conversion and early repayment options are treated as a compound embedded derivative which is recorded as a financial liability at fair value through profit or loss. Where the fair value of the embedded derivative cannot be reliably measured, the fair value of the debt component is determined first, with the residual being the fair value of the derivative instrument. The debt component is initially recognised at fair value, net of transaction costs. Fair value is determined using a market rate for an equivalent non-convertible loan. This is subsequently measured as a financial liability at amortised cost until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance expense in the statement of comprehensive income.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a contract is entered into and are subsequently re-measured at their fair value, with the resulting gain or loss being recognised in the statement of comprehensive income.

Property, plant and equipment

All property, plant and equipment is stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Computer equipment	3
Office Equipment	4
Furniture and Fittings	5
Leasehold improvements	the shorter of 5 or the term of the lease

The asset's residual values and economic lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Assets that are no longer of economic use to the business are retired.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses) or gains in the income statement.

Goodwill

Goodwill represents the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

Goodwill arising on acquisitions is not subject to amortisation but is subject to annual impairment testing. Any impairment is recognised immediately in the Consolidated Statement of Comprehensive Income and not subsequently reversed.

Other intangible assets

Intangible assets are recorded as separately identifiable assets and recognised at historical cost less any accumulated amortisation. These assets are amortised over their definite useful economic lives on the straight-line method, commencing when the asset is available for use, or in respect of patents, when the patent is granted.

Amortisation is computed using the straight-line method over the definite estimated useful lives of the assets as follows:

	Years
Intellectual property	10
Capitalised development costs	3

The assets' residual values and economic lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses) or gains in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

Research and development

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects are recognised as intangible assets when the following criteria are fulfilled:

- It is technically feasible to complete the intangible asset so that it will be available for use or resale;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible;
- It can be demonstrated how the intangible asset will generate possible future economic benefits;
- Adequate technical, financial and other resource to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense in the year incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent year. Capitalised development costs are recorded as intangible assets and are amortised from the point at which they are ready for use on a straight-line basis over the asset's estimated useful life.

Impairment of non-financial assets

Assets that are subject to amortisation and depreciation are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be fully recoverable. Assets that have indefinite useful lives are not subject to amortisation and are tested for impairment on an annual basis at each year end. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Any impairment loss arising from the review is charged to the Statement of Comprehensive Income whenever the carrying amount of the asset exceeds its recoverable amount.

Pension contributions

The Group operates a defined contribution plan and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share based payments

The Company operates a staff option plan and a long term incentive plan (LTIP). These are equity-settled, share-based compensation plans, under which the entity receives services from employees, long term contractors and directors as consideration for equity instruments (options) of the Group. The LTIP options are subject to personal and company performance criteria as determined by the remuneration committee. The fair value of the services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted. The fair value of these payments is calculated either using the Black Scholes option pricing model or by reference to the fair value of any fees or remuneration settled by way of granting of options.

The expense is recognised on a straight-line basis over the period from the date of award to the date of vesting, based on the best estimate of the number of shares that will eventually vest. When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

NOTES TO THE FINANCIAL STATEMENTS continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

The Group also grants equity instruments such as warrants to non-employees in consideration for services received. These are accounted for as share-based payments. As the fair value of the services received cannot be measured reliably, the fair value is measured by reference to the Company's equity instruments using a Black-Scholes option pricing model. The expense is recognised as the services are provided.

Critical accounting estimates and judgments

The preparation of Financial Statements in conformity with International Financial Reporting Standards requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and expenses during the reporting year. Although these estimates are based on management's best knowledge of current events and actions, the resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

(a) Carrying value of goodwill.

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations. These calculations require the use of estimates (note 11). There was no impairment in the current year

(b) Carrying value of other intangibles as outlined in note 12

(c) Assessment of going concern, as outlined in the basis of preparation and Director's report

(d) Revenue recognition

The group uses periodic milestones for the billing of its professional service contracts and recognises revenue upon completion of the project or when control has been successfully transferred to the client. Revenue for licence contracts is billed in advance and recognised ratably based on the applicable contractual license period.

Company Statement of Comprehensive Income

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own Statement of Comprehensive Income for the year. The Company reported a loss for the financial year ended 30 September 2019 of £8,578,000 (2018: £768,000).

NOTES TO THE FINANCIAL STATEMENTS continued

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. See note 23 for further details. There have been no changes in the risk management policies in the year.

Fair Value Estimation and Techniques

The table below analyses financial instruments carried at fair value. All instruments are Level 2 derivative instruments on the basis that they are not traded in an active market and are valued using valuation techniques based on observable data:

	30 September 2019 (£000's)	*30 September 2018 (£000's)*
Non-Current Liabilities		
Derivative Liability	124	463
Current Liabilities		
Derivative Liability	67	–
Total Liabilities	191	463

Derivative Liability

The derivative liability arises as the convertible loan notes and convertible bonds contain an option for the holder to convert the notes to ordinary shares and an option for the Company to repay the notes early. These options to convert and repay early give rise to a compound embedded derivative. Part of the proceeds received are allocated to the derivative instrument. (See Note 18 for further details).

The Group's derivative liability is also classified as a Level 2 instrument on the basis that it is not traded in an active market and is valued using valuation techniques based on observable data. The valuation technique used is a discounted cash flow analysis using observable market interest rates which value the host debt instrument, with residual being the fair value of the derivative liability.

	£000's
At 1 October 2017	332
On issue of loan notes	144
On issue of convertible bonds	130
Revaluation at the end of reporting period	(23)
Revaluation due to loan note liability	(122)
Exchange rate variance	2
At 30 September 2018	463
At 1 October 2018	463
PIK transition to Arria NZ	(310)
On issue of loan notes	15
On issue of convertible bonds	16
Exchange rate variance	7
At 30 September 2019	191

NOTES TO THE FINANCIAL STATEMENTS continued

3. FINANCIAL RISK MANAGEMENT continued

Group's Valuation Process

The Group's finance department performs the valuations of financial assets and liabilities required for financial reporting purposes. This team reports directly to the Chief Financial Officer (CFO). Discussions of valuation processes and results are held between the CFO and the finance team at least twice at every year end and half year end, in line with the Group's reporting dates.

4. REVENUE

Total revenue from activities by geographical destination is detailed below:

Revenue by geography

	Group Year ended 30 September 2019 (£000's)	*Group Year ended 30 September 2018 (£000's)*
Revenue derived from the United States	571	9
Revenue derived from the United Kingdom	287	393
Revenue derived from the Bahamas	184	111
Revenue derived from all others	38	1
Total Revenue	1,080	514

Revenue Streams

The group generates revenue from software sales broken down between software subscriptions and professional services. Software subscriptions are recognised on a straight-line basis over the life of the contract. Professional services are recognised upon completion of the project upon acceptance by the customer.

	Group Year ended 30 September 2019 (£000's)	*Group Year ended 30 September 2018 (£000's)*
Subscription revenue	799	144
Professional services revenue	281	370
Total revenue	1,080	514

Disaggregation of revenue from contracts with customers

The group did not note any findings of disaggregation of revenue from contracts in the year ended 30 September 2019 or 30 September 2018.

NOTES TO THE FINANCIAL STATEMENTS continued

4. REVENUE continued

Contract balances

	Group Year ended 30 September 2019 (£000's)	Group Year ended 30 September 2018 (£000's)
Accounts receivable	38	517
Accrued revenue	412	–
Deferred revenue	(451)	(579)

The accrued revenue amounts primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on completed contracts. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The deferred revenue amounts relate to items billed for licence fees that are recognized ratably over the life of the contractual agreement or periodic billings for professional services that have not yet been completed.

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer. For software licences, the revenue is recognised ratably over the life of the contract. For professional services, interim billings may occur, however, the revenue is not recognized until the customer accepts the project as complete.

5. OPERATING LOSS

The Group's operating loss has been arrived at after charging:

	Group Year ended 30 September 2019 (£000's)	Group Year ended 30 September 2018 (£000's)
Operating lease rentals	158	271
Depreciation charge	38	45
Research and development (including employee costs)	746	730
Legal and professional fees	1,207	1,195
Foreign exchange losses	950	291
Auditors' remuneration		
Audit of Company	52	44
Audit of subsidiaries	27	28
Total audit	79	72
Audit related assurance services	6	13
Services relating to assurance services	6	13
Other non-audit services	11	9
Total non-audit services	17	22
Total fees paid to auditors	96	94

NOTES TO THE FINANCIAL STATEMENTS continued

6. EMPLOYEES

	Group Year ended 30 September 2019 (£000's)	*Group Year ended 30 September 2018 (£000's)*
Wages and salaries	3,978	3,800
Social security costs	252	280
Other pension costs	152	167
Share based payments	4,992	(404)
	9,374	3,843

The monthly average number of employees (including Executive Directors but excluding consultants) in the Group during the year was 60 (2018: 61). Average number of employees analysed by category was as follows:

	Group Year ended 30 September 2019	*Group Year ended 30 September 2018*
Directors (executive and non-executive)	3	4
Technical	41	45
Administration	4	4
Management	1	2
Marketing	1	–
Sales	10	6
	60	61

7. SHARE-BASED PAYMENTS

a) *Employee share schemes*

The Company operates a staff option plan and a long-term incentive plan (LTIP).

The Company grants options over Ordinary shares at its discretion to directors and management. The LTIP options are subject to personal and company performance criteria as determined by the board. Share options are granted with vesting periods of between zero and three years from the date of grant. Should the options remain unexercised after a period of eight years for staff options and ten years for LTIP options, from the date of grant the options will expire. Options are exercisable at a price determined by the Board of Directors at the time of grant.

NOTES TO THE FINANCIAL STATEMENTS continued

7. SHARE-BASED PAYMENTS continued

Details for the share options granted, exercised, lapsed and outstanding at the year end are as follows:

2018

	Number of share options	*Weighted average exercise price*
Outstanding at 1 October 2017	6,449,723	£0.234
Forfeited during the year	(4,280,607)	
Exercised during the year	(150,000)	
Granted during the year	7,400,000	
Outstanding at 30 September 2018	9,419,116	£0.186
Exercisable at 30 September 2018	6,319,116	£0.371

2019

	Number of share options	*Weighted average exercise price*
Outstanding at 1 October 2018	9,419,116	£0.186
Lapsed during the year	(1,083,333)	
Re-issued through parent	(500,000)	
Granted during the year	50,000	
Outstanding at 30 September 2019	7,885,783	£0.140
Exercisable at 30 September 2019	6,846,894	£0.147

Fair value of share options

The weighted average fair value of the share options outstanding in the financial year, determined using the Black-Scholes valuation model was £0.197 (2018: £0.204).

The calculation of the fair value of options issued requires the use of estimates. The key assumptions are:

	2019	*2018*
Weighted average share price	£0.392	£0.132
Weighted average exercise price	£0.140	£0.186
Weighted average expected life	3.85	3.75
Risk free rate	0.50% - 0.80%	0.50% - 0.80%
Expected dividend yields	0%	0%

NOTES TO THE FINANCIAL STATEMENTS continued

7. SHARE-BASED PAYMENTS continued

A charge of £4.992 million relating to share-based payments attributable to Employee Share Schemes has been recognised in the year and is included in the Consolidated Statement of Comprehensive Income (2018: (£404,000)). The majority of the charge in the current year relates to the reconciliation and revaluation of the existing options. Modification to the equity-settled share based payment was classified as beneficial modification as the exercise price reduced and it increased the fair value of the share based payment.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

2018

Scheme	*Number of shares*	*Date of grant*	*Exercise price*	*Exercise year From*	*To*
Staff scheme	445,000	07/04/13	US$1.00	07/04/14	07/04/21 [1]
Staff scheme	6,000	28/11/13	US$1.60	28/05/14	28/05/22 [1]
Staff scheme	2,000	01/09/14	GB£0.41	01/09/14	01/09/22 [1]
Staff scheme	305,000	03/02/15	GB£0.35	03/02/15	03/02/23 [2]
Staff scheme	575,000	03/02/15	GB£0.35	03/02/15	03/02/23 [3]
Staff scheme	1,000,000	15/12/17	GB£0.001	15/12/17	16/07/26 [1]
Staff scheme	2,650,000	20/01/18	GB£0.13	20/01/18	16/07/26 [5]
Staff scheme	750,000	20/01/18	GB£0.13	20/01/18	16/07/26 [1]
Staff scheme	1,000,000	16/07/18	GB£0.13	16/07/18	16/07/26 [6]
Staff scheme	2,000,000	16/07/18	GB£0.13	16/07/18	16/07/26 [7]
LTIP Scheme	280,758	29/12/15	GB£0.001	29/12/15	29/12/25 [4]
LTIP Scheme	405,358	01/01/16	GB£0.001	01/01/16	01/01/26 [4]
Total	9,419,116				

2019

Scheme	*Number of shares*	*Date of grant*	*Exercise price*	*Exercise year From*	*To*
Staff scheme	445,000	07/04/13	NZ$0.25	07/04/14	07/04/21 [1]
Staff scheme	6,000	28/11/13	NZ$0.25	28/05/14	28/05/22 [1]
Staff scheme	2,000	01/09/14	NZ$0.25	01/09/14	01/09/22 [1]
Staff scheme	305,000	03/02/15	NZ$0.25	03/02/15	03/02/23 [2]
Staff scheme	575,000	03/02/15	NZ$0.25	03/02/15	03/02/23 [3]
Staff scheme	500,000	15/12/17	GB£0.001	15/12/17	16/07/26 [1]
Staff scheme	2,616,667	20/01/18	NZ$0.25	20/01/18	16/07/26 [5]
Staff scheme	750,000	20/01/18	NZ$0.25	20/01/18	16/07/26 [1]
Staff scheme	2,000,000	16/07/18	NZ$0.25	16/07/18	16/07/26 [7]
LTIP scheme	280,758	29/12/15	GB£0.001	29/12/15	29/12/25 [4]
LTIP scheme	405,358	01/01/16	GB£0.001	01/01/16	01/01/26 [4]
Total	7,885,783				

(1) Options vest 1/3 on grant and 1/3 per year on anniversary of grant
(2) Options vested 1/3 on 1 January 2015 and 1/3 per year on anniversary of first vest
(3) Options vest 1/3 on 1 January 2016 and 1/3 per year on anniversary of first vest
(4) Options vest based on corporate and personal performance criteria. Vesting dates are on date of issue, 31 December 2016, 1 January 2017, 31 December 2017 and 1 January 2018
(5) Options fully vest on 20 January 2018
(6) Options vest 1/3 on grant and 1/3 per year on anniversary of grant
(7) Options fully vest on 16 July 2018

NOTES TO THE FINANCIAL STATEMENTS continued

7. SHARE-BASED PAYMENTS continued

b) Non-employee share based payments

B & C Warrants

In the current year the Company granted 4,000,000 (2018: 5,966,925) unlisted C warrants to Ikonic Fund SAC against US$2,000,000 subscribed in January 2015. In the prior accounting year the Company transferred 7,710,139 B & C warrants to Parent, Arria NZ in accordance with the Scheme of Arrangement dated 12th September 2018. This brings the total unlisted B and C warrants to 24,659,243 at 30th September 2019.

These issues of unlisted C Warrants have been treated as share-based payments and are accounted for as equity-settled share based payments under IFRS 2. The unlisted B and C Warrants were originally exercisable up to 11 June 2019 however this date was extended by the Board of Directors to 30 September 2020 at 12p per new Ordinary share.

The weighted average fair value of the unlisted B and C Warrants granted was £0.182 (2018 £0.129) and was determined using the Black-Scholes valuation model. The calculation of the fair value requires the use of estimates. The key assumptions used were:

	2019	*2018*
Weighted average share price	£0.392	£0.132
Exercise price	£0.120	£0.120
Expected life	4.0	4.0
Risk free rate	0.11%– 0.80%	0.11%– .80%
Expected dividend yields	0%	0%

Non-Employee Share Options

In the current year the Company granted share options to non-employees totaling 300,000 (2018: 15,465,534) Details for the share options granted, exercised, lapsed and outstanding at the year-end are as follows:

	Number of share options	*Weighted average exercise price*
Outstanding at 1 October 2017	-	-
Granted during the year	15,465,534	
Outstanding at 30 September 2018	15,465,534	£0.063
Exercisable at 30 September 2018	15,465,534	£0.063
Outstanding at 1 October 2018	15,465,534	£0.063
Cancelled and re-issued through parent	(5,625,000)	
Granted during the year	300,000	
Outstanding at 30 September 2019	10,140,534	£0.195
Exercisable at 30 September 2019	10,140,534	£0.195

NOTES TO THE FINANCIAL STATEMENTS continued

7. SHARE-BASED PAYMENTS continued

	2019	*2018*
Weighted average share price	£0.392	£0.025
Weighted average exercise price	£0.195	£0.063
Weighted average expected life	8	4
Risk free rate	0.55	0.55
Expected dividend yield	0%	0%

Shares options outstanding at the end of the year

2018

Scheme	*Number of shares*	*Date of grant*	*Exercise price*	*Exercise year From*	*To*
Non-employee scheme	10,465,534	7/16/2018	GB£0.13	7/16/2018	7/16/2026
Non-employee scheme	5,000,000	7/16/2018	NZ$1.00	7/16/2018	7/16/2026
Total	15,465,534				

2019

Scheme	*Number of shares*	*Date of grant*	*Exercise price**(1)	*Exercise year From*	*To*
Non-employee scheme	6,890,534	7/16/2018	NZ$0.25	7/16/2018	7/16/2026
Non-employee scheme	3,250,000	7/16/2018	NZ$0.25	7/16/2018	7/16/2026
Total	10,140,534				

All options are fully vested on date of grant.

The modification in the exercise price of the non-employee share based payment to NZ$0.25 generated an impact of £5,339,207 in P&L.

(1) All options were re-valued to NZ$0.25 by board resolution dated 25 April 2019. Modification to the equity-settled share based payment was classified as beneficial modification as the exercise price was reduced and it increased the fair value of the share based payment.

Fair value of share options

The weighted average fair value of the share options outstanding in the financial year, determined using the Black-Scholes valuation model was £0.063 (2018: £0.001).

c) Summary of share based payment charge to profit and loss

	Group Year ended 30 September 2019 (£000's)	*Group Year ended 30 September 2018 (£000's)*
Employee share schemes	4,992	(404)
Non-employee share schemes	5,340	38
	10,332	(366)

NOTES TO THE FINANCIAL STATEMENTS continued

8. FINANCE INCOME

	Group Year ended 30 September 2019 (£000's)	*Group Year ended 30 September 2018 (£000's)*
Gain on revaluation of derivative liability	–	23
Gain on derecognition of financial liability	–	3,025
Interest Income	15	59
	15	3,107

For the year ended 30 September 2018, the loan notes held by USA based lenders, as part of the scheme of arrangement were transferred to the new NZ Parent Company, Arria NZ. The discharge of liability did not involve the payment of any creditor or the transfer of any goods or services.

9. FINANCE EXPENSE

	Group Year ended 30 September 2019 (£000's)	*Group Year ended 30 September 2018 (£000's)*
Interest on loan notes(1)	2,811	1,444
Share based payment interest	129	–
Interest Others	681	56
	3,621	1,500

(1) Interest on loan notes is calculated by applying the effective interest rate of 9.9% to the loan liability.

10. TAXATION CREDIT

	Group Year ended 30 September 2019 (£000's)	*Group Year ended 30 September 2018 (£000's)*
Current tax:		
Research and development tax credits	(702)	(898)
Total current tax	(702)	(898)
Deferred tax (note 19):		
Origination and reversal of timing differences	(242)	(241)
Total deferred tax	(242)	(241)
Income tax credit	(944)	(1,139)

NOTES TO THE FINANCIAL STATEMENTS continued

10. TAXATION CREDIT continued

The tax on the Group's loss before tax differs (2018: differs) from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Group Year ended 30 September 2019 (£000's)	*Group Year ended 30 September 2018 (£000's)*
Loss before tax	(24,316)	(6,770)
Tax calculated at domestic rate applicable to profits in respective countries at 19.88% (2018: 20.41%)	(4,834)	(1,382)
Tax effects of:		
Expenses not deductible for tax purposes	2,647	90
Research and development tax credit	(702)	(898)
Tax loss for which no deferred tax asset has been recognised	1,945	1,051
Income tax credit	(944)	(1,139)

The tax rates used in the above calculation reflect the combined domestic rates of the subsidiary countries of which Arria NLG has activity.

During the year, the main corporation tax rate in the UK was 19%.

11. GOODWILL

Group

	Goodwill (£000's)
Cost	
At 1 October 2017, 30 September 2018, 1 October 2018 and 30 September 2019	14,353

The goodwill arose on the acquisition of Arria Data2Text Limited on 1 May 2012.

An impairment review is undertaken annually or whenever changes in circumstances or events indicate that the carrying amount may not be recovered. For the purpose of impairment testing, goodwill is allocated to each of the cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually.

The entire goodwill balance has been allocated to the provision of computer software cash generating unit and has been tested for impairment as at 30 September 2019. The recoverable amount has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period an estimated compound average growth rate of 64% (2018: 86%). Cash flows beyond this period are extrapolated using a long term growth rate of 1% (2018: 2%). These cash flows have been discounted at a pre-tax rate of 13.2% (2018: 13.2%).

Sensitivity analysis has been performed, and none of the scenarios considered reasonably possible by the Directors would result in impairment. The key assumptions would have to change by the following amounts in order to cause the value-in-use to fall below the current carrying value of Goodwill as 30 September 2019; If all other things remained unchanged, (1) The pre-tax discount rate would need to increase by 135% (2018: 32%) from 13.2% (2018: 13.2%) to 31% (2018: 17.5%); (2) The compound average growth rate would have to be 53% (2018: 83%)or (3) the EBIT margin achieved would need to fall negative.

NOTES TO THE FINANCIAL STATEMENTS continued

12. OTHER INTANGIBLE ASSETS

Group

	Intellectual property (£000's)	*Capitalised development costs (£000's)*	*Total other intangible assets (£000's)*
Cost			
At 1 October 2017	19,066	3,107	22,173
Additions	–	653	653
At 30 September 2018	19,066	3,760	22,826
At 1 October 2018	19,066	3,760	22,826
Additions	–	–	–
At 30 September 2019	19,066	3,760	22,826
Accumulated amortisation and impairment			
At 1 October 2017	13,677	553	14,230
Amortisation expense	1,274	310	1,584
Amortisation expense – Cost of Sales	–	71	71
At 30 September 2018	14,951	934	15,885
At 1 October 2018	14,951	934	15,885
Amortisation expense – Administrative	2,018	–	2,018
Amortisation expense – Cost of Sales	–	171	171
At 30 September 2019	16,969	1,105	18,074
Carrying amount			
At 1 October 2017	5,389	2,554	7,943
At 30 September 2018	4,115	2,826	6,941
At 1 October 2018	4,115	2,826	6,941
At 30 September 2019	2,097	2,655	4,752

The calculation of amortisation of intangible assets requires the use of estimates and judgment, related to the expected useful lives of the assets.

NOTES TO THE FINANCIAL STATEMENTS continued

12. OTHER INTANGIBLE ASSETS continued

Company

	Intellectual property (\$000's)	*Capitalised development costs (\$000's)*	*Total other intangible assets (\$000's)*
Cost			
At 1 October 2017, 2018	34	133	167
Additions	–	–	–
At 30 September 2018, 2019	34	133	167
Accumulated amortisation and impairment			
At 1 October 2017	5	133	138
Impairment expense	3	–	3
At 30 September 2018	8	133	141
At 1 October 2018	8	133	141
Amortisation expense	3	–	3
At 30 September 2019	11	133	144
Carrying amount			
At 1 October 2017	29	–	29
At 30 September 2018	26	–	26
At 1 October 2018	26	–	26
At 30 September 2019	23	–	23

NOTES TO THE FINANCIAL STATEMENTS continued

13. PLANT AND EQUIPMENT

Group

	Computer Equipment (£000's)	*Leasehold Improvements (£000's)*	*Office Equipment (£000's)*	*Furniture & Fittings (£000's)*	*Total (£000's)*
Cost					
At 1 October 2017	280	9	11	40	340
Additions	7	–	–	–	7
Disposals	(3)	(1)	–	(14)	(18)
At 30 September 2018	284	8	11	26	329
At 1 October 2018	284	8	11	26	329
Additions	60	18	–	48	126
Disposals	(208)	–	(9)	(12)	(229)
At 30 September 2019	136	26	2	62	226
Accumulated depreciation					
At 1 October 2017	223	1	11	20	255
Depreciation expense	39	–	–	6	45
Depreciation on disposal	(4)	–	(6)	–	(10)
At 30 September 2018	258	1	5	26	290
At 1 October 2018	258	1	5	26	290
Depreciation expense	27	3	1	7	38
Depreciation on disposals	(208)	4	(5)	(18)	(227)
At 30 September 2019	77	8	1	15	101
Carrying amount					
At 1 October 2017	57	8	–	20	85
At 30 September 2018	26	7	6	–	39
At 1 October 2018	26	7	6	–	39
At 30 September 2019	59	18	1	47	125

NOTES TO THE FINANCIAL STATEMENTS continued

13. PLANT AND EQUIPMENT continued

Company

	Computer Equipment (£000's)	*Office Equipment £000's)*	*Furniture & Fittings (£000's)*	*Total (£000's)*
Cost				
At 1 October 2017	86	10	11	107
Additions	3	–	–	3
At 30 September 2018	89	10	11	110
At 1 October 2018	89	10	11	110
Additions	17	–	–	17
Disposals	(82)	(10)	(11)	(103)
At 30 September 2019	24	–	–	24
Accumulated depreciation				
At 1 October 2017	82	10	11	103
Depreciation expense	4	–	–	4
Depreciation on disposals	–	–	–	–
At 30 September 2018	86	10	11	107
At 1 October 2018	86	10	11	107
Depreciation expense	3	–	–	3
Depreciation on disposals	(82)	(10)	(11)	(103)
At 30 September 2019	7	–	–	7
Carrying amount				
At 1 October 2017	4	–	–	4
At 30 September 2018	3	–	–	3
At 1 October 2018	3	–	–	3
At 30 September 2019	17	–	–	17

NOTES TO THE FINANCIAL STATEMENTS continued

14. INVESTMENT IN SUBSIDIARIES

Company

	Cost (£000's)	*Impairment (£000's)*	*Total (£000's)*
At 1 October 2017	31,613	(6,288)	25,325
Additions	–	–	–
At 30 September 2018	31,613	(6,288)	25,325
At 1 October 2018	31,613	(6,288)	25,325
Additions	8,773	–	8,773
At 30 September 2019	40,386	(6,288)	34,098

Additions relate to share based payment charges that have been re-charged through to individual subsidiaries.

The Directors annually assess the carrying value of the investment in subsidiary undertakings. The subsidiary undertakings during the year were as follows:

	Registered Address	*Trading Status*	*Country of incorporation*	*Interest held %*
Arria Data2Text Limited	9th Floor, Macrobert Building, University of Aberdeen, Aberdeen, Scotland, AB24 5UA	Active	UK	100%
Global IP Inc.	65 East Lake Road, Kinnelon, NJ 07405, USA	Dormant	USA	100%
Arria NLG (NZ) Limited	Level 21, 171 Featherston St Wellington 6011, New Zealand	Active	New Zealand	100%
Arria NLG (AUS) Pty Limited	Suite 606 64-76 Kippax Street, Surry Hills, NSW 2010, Australia	Active	Australia	100%
Arria NLG (USA) Inc.	65 East Lake Road, Kinnelon, NJ 07405, USA	Active	USA	100%

All subsidiaries are owned directly by Arria NLG (UK) Limited.

NOTES TO THE FINANCIAL STATEMENTS continued

15. TRADE AND OTHER RECEIVABLES

Non-current	*Group 30 September 2019 (£000's)*	*Group 30 September 2018 (£000's)*	*Company 30 September 2019 (£000's)*	*Company 30 September 2018 (£000's)*
Rental Deposits	151	25	5	4

All non-current receivables are due within three years from the end of the reporting period.

Current	*Group 30 September 2019 (£000's)*	*Group 30 September 2018 (£000's)*	*Company 30 September 2019 (£000's)*	*Company 30 September 2018 (£000's)*
Trade receivables	38	517	–	–
Prepayments	229	262	39	214
Due from subsidiary	–	–	21,471	19,830
Due from parent	451	–	11	–
Accrued Revenue	412	–	–	–
Other receivables	80	342	–	339
VAT and other sales taxes receivable	238	320	–	–
Current portion	1,448	1,441	21,521	20,383

Trade receivables are measured at amortised cost. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

As at 30 September 2019 there were no trade receivables that were past due but not impaired.

Amounts due from related parties incurred no interest and are repayable on demand.

The carrying amounts of the Group's current trade and other receivables are denominated in the following currencies:

	30 September 2019 (£000's)	*30 September 2018 (£000's)*
US Dollar	295	577
UK Pound	777	859
NZ Dollar	372	1
AUS Dollar	4	4
	1,448	1,441

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

NOTES TO THE FINANCIAL STATEMENTS continued

16. CASH AND CASH EQUIVALENTS

	Group 30 September 2019 (£000's)	*Group 30 September 2018 (£000's)*	*Company 30 September 2019 (£000's)*	*Company 30 September 2018 (£000's)*
Cash at bank and in hand	2,807	422	4	38

17. TRADE AND OTHER PAYABLES

Current	*Group 30 September 2019 (£000's)*	*Group 30 September 2018 (£000's)*	*Company 30 September 2019 (£000's)*	*Company 30 September 2018 (£000's)*
Trade and other payables	731	2,867	370	1,541
Social security and other taxes	85	563	5	123
VAT payable	607	178	607	178
Accruals	728	2,864	598	2,540
Deferred income	451	579	–	–
Due to parent	14,755	–	3,472	–
Due to subsidiary	–	–	7,891	3,879
	17,357	7,051	12,943	8,261

Trade payables and accruals principally comprise amounts outstanding for trade purchases, amounts owed to professional advisors and ongoing costs and are payable within 3 months. The average credit period taken during the year for trade purchases for the Group was 46 days (2018: 120 days).

Amounts due to related parties incurred no interest and are repayable on demand. The entities do not intend to seek repayment of the amounts loaned since the balance sheet date, for the period of at least 12 months from the date of these financial statements.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

NOTES TO THE FINANCIAL STATEMENTS continued

18. BORROWINGS

Non-current	*Group 30 September 2019 (£000's)*	*Group 30 September 2018 (£000's)*	*Company 30 September 2019 (£000's)*	*Company 30 September 2018 (£000's)*
Convertible notes (i)	–	8,520	–	8,520
Convertible bonds (ii)	4,088	3,228	4,088	3,228
	4,088	11,748	4,088	11,748
Current				
Convertible notes (i)	1,692	–	1,692	–
Aonas Secured Loan (iii)	2,657	2,309	2,657	2,309
Revolving Credit Facility (iv)	969	1,347	969	1,347
	5,318	3,656	5,318	3,656

(i) Convertible Notes

All current loan notes have a maturity date of 31 October 2019 and accrue interest at a rate of 5% above the Bank of England base rate as at 31 October of each year. Interest payments commenced 31 October 2015 and are payable annually on 31 October each calendar year thereafter until the maturity date. The Company can redeem the loan notes, without penalty or fee, at any time upon 10 business days' notice to the holders of the loan notes (the "Noteholders"). The Noteholders are entitled to convert the loan notes and any accrued but unpaid interest into new Ordinary shares at a price of £0.40 per share (subject to adjustment in certain customary circumstances) during the first 10 business days of each calendar year and also following receipt of notice that the Company intends to redeem the loan notes. In recognition for converting early in fiscal year 2019 the holders were offered the same terms as the Series C offer which included conversion at a share price of US$0.50 and two offer options at US$0.50 for each share issued.

NOTES TO THE FINANCIAL STATEMENTS continued

18. BORROWINGS continued

Loan Note Movements

Company and Group

	(£000's)
At 1 October 2017	8,557
Face value of notes issued	2,667
Derivative liability[1]	(144)
Capitalised costs	(128)
Interest paid	(445)
Accrued interest[2]	901
Liability moved to Parent[3]	(2,888)
At 30 September 2018	8,520
At 1 October 2018	8,520
Face value of notes issued (PIK Notes)	400
Derivative liability[1]	(16)
Capitalised costs	(1)
Interest paid	(418)
Accrued interest[2]	827
Settlements	(6)
Liability moved to Parent[3]	(7,614)
At 30 September 2019	1,692

[1] The derivative liability arises as the loan agreements contain an option for the holder to convert the notes to Ordinary shares and an option for the Company to repay the notes early. These options to convert and repay early give rise to a compound embedded derivative. Part of the proceeds received are allocated to the derivative instrument. (See Note 3 for further details).

[2] The carrying value of the loan notes represent the amortised cost of the loan notes calculated using the effective interest rate method as at 30 September 2019. Accrued interest is calculated by applying the effective interest rate of 9.9% to the loan liability component.

[3] On 12 September 2018 the Company ("Arria UK") completed a scheme of arrangement under Part 26 of the UK Companies Act 2006 whereby all the ordinary shares of the Company were exchanged for ordinary shares of a new New Zealand company, Arria NZ. The scheme of arrangement was approved by the Arria UK shareholders at meetings on 13 August 2018 and by the London High Court following a hearing on 11 September 2018. The scheme was completed with the filing of the High Court order on 12 September 2018. The liabilities were transferred in 2018 and 2019.

Ancillary to the scheme of arrangement, the US holders of Arria UK Loan Notes and B or C Warrants, Arria UK formerly AIM-listed Warrants and Arria UK staff options, accepted offers to exchange their loan notes and warrants to substantially identical securities of Arria NZ. Pursuant to an amendment to the Arria UK Articles of Association approved by the shareholders in connection with the scheme of arrangement, all other holders of Arria UK loan notes or warrants, as well as holders of Arria UK staff options, will obtain Arria NZ ordinary shares in lieu of Arria UK shares when they exercise their warrants or options or convert their loan notes to shares. They will also receive one Arria NZ acquisition option for each ten Arria NZ ordinary shares that are issued to them upon exercise of these stock rights.

NOTES TO THE FINANCIAL STATEMENTS continued

18. BORROWINGS continued

(ii) Convertible Bonds

On 18 October 2017, the Company completed a US $13 million five-year secured bond subscription with Nobis Capital Growth Technology Fund Limited ("Nobis"). Under the agreement, the lender may subscribe for US $13 million bonds in several tranches over 6 months. Interest on the bonds accrues at 8.75% per annum. The bonds, having a face value of US $1.00 each, are convertible until maturity at the rate of 132 ordinary shares of the Company for every US $100.00 in bonds converted (representing approximately NZ$1.00 per ordinary share). Interest is payable quarterly in arrears. Maturity is 15 September 2022. Beginning in the 34th month after issuance of the bonds, the Company will also make quarterly principal payments to a sinking fund maintained by Nobis in the amount of the greater of (1) 10% of the original principal balance per quarter or (2) the sum of 20% of the Company's net profit for the preceding quarter and 20% of any new capital received by the Company in the preceding quarter. In addition, at the time that any bonds are subscribed for, 8.75% of the face value of such bonds shall be applied to the sinking fund. All interest and principal payments on the bonds are to be deducted by Nobis from the sinking fund. The Company will provide additional consideration consisting of (a) the issuance to Nobis of 2,100,000 options upon establishment of the bond subscription facility (b) the issuance to Nobis of up to 2,450,000 options as bonds are subscribed for at a rate of 35 options for every 100 bonds subscribed for and (c) brokerage to the broker raising funds for Nobis at a rate of 35 options for every 100 bonds subscribed for. All of the above options are exercisable until 30 September 2022 at a price of NZ$1.00 per share. The bonds and options will be freely transferable, and the bond holders will have limited class voting rights only on matters that affect them as an interest group. The bonds participate in a deed of priority with Aonas Holdings S.A. pursuant to the latter's debentures over the assets of the Company and of Arria Data2Text Limited.

(iii) Aonas Secured Loan

On 17 March 2017, the Company concluded a US$5 million three-year secured loan agreement with Aonas Holdings S.A. Under the loan agreement, the lender advanced the Company US $3 million (£2.3 million), while the remaining US$2 million was available at the Company's call. Interest on the loans, excluding the bridge loan is 7.5% per annum. The Company paid a fee to Aonas of 250,000 ordinary shares of the Company, which was approved by the Board of Directors on 10 October 2017. The loan is secured by a first debenture over all of the assets of the group. A condition of the loan was the reconstitution of the Company's board of directors in preparation for (a) its listing and (b) its increasing focus on the US market ("Reconstitution"). This condition was fulfilled to the satisfaction of Aonas Holdings S.A. prior to execution of the loan agreement.

(iv) Revolving Credit Facility

As at balance sheet date the Company owed a total of £969,000 under the revolving credit facility. £244,000 was received in the current financial year. Funds are unsecured and are paid interest at rates between 5.25 and 10%. On 1 October 2019, the £244,000 loan obtained in fiscal year 2019 was settled plus interest by cash payment to the lender. On 1 October 2018, Sharon Daniels was repaid £153,000 on her existing loan. During FY2019, a debt owed to Sharon Daniels for her consulting work prior to becoming an Arria U.S. employee was converted to her loan account in the amount of £419,000. Sharon Daniels then converted £462,000 of her existing loan balance to equity with the new parent Arria NZ. B L Spence also converted £181,000 of his loan (the full amount) into equity with the new parent Arria NZ. The remaining revolving credit facility balance outstanding equals £725,000. Since balance date £243,000 of the facility has been repaid in cash.

NOTES TO THE FINANCIAL STATEMENTS continued

19. DEFERRED TAX

The analysis of deferred tax liabilities for the Group is as follows:

	30 September 2019 (£000's)	*30 September 2018 (£000's)*
Deferred tax within 12 months	242	241
Deferred tax greater than 12 months	328	571
Deferred tax liabilities	570	812

The movement in the deferred tax is as follows:

	Opening balance (£000's)	*Recognised in the income statement (£000's)*	*Closing balance (£000's)*
As at 30 September 2018			
Deferred tax liabilities			
Intangible assets on acquisition	(1,053)	241	(812)
Net deferred tax liability	(1,053)	241	(812)
As at 30 September 2019			
Deferred tax liabilities			
Intangible assets on acquisition	(812)	242	(570)
Net deferred tax liability	(812)	242	(570)

There was no deferred tax recognised in the Company.

The Group has an unrecognised deferred tax asset of £11,686 million, (2018: £9,79 million) that is available for offset against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is the view of the Directors that in line with current market expectations future taxable profits are not deemed probable in the short term to offset against these losses.

NOTES TO THE FINANCIAL STATEMENTS continued

20. SHARE CAPITAL AND SHARE PREMIUM

Company and Group

The issued share capital in the year was as follows:

	Number of Ordinary shares
At 1 October 2017	123,680,610
Issue of ordinary share capital	10,245,906
At 30 September 2018	133,926,516
At 1 October 2018	133,926,516
At 30 September 2019	133,926,516

	Share Capital (£000's)	*Share Premium (£000's)*	*Total (£000's)*
Company and Group			
At 1 October 2017	124	12,568	12,692
Issue of ordinary share capital	10	1,315	1,325
Share issue transaction costs	–	(66)	(66)
At 30 September 2018	134	13,817	13,951
At 1 October 2018	134	13,817	13,951
At 30 September 2019	134	13,817	13,951

Issue of Ordinary share

During the year, there were no issues of ordinary shares due to the transition to the new parent.

DESCRIPTION OF RIGHTS

Ordinary shares

Each Ordinary share holds the following rights:

- One vote per share on a poll vote and a vote by show of hands.
- Right to participate in dividends.
- Right to participate in a return of capital (including on a winding up); they do not confer any rights of redemption.

NOTES TO THE FINANCIAL STATEMENTS continued

21. RESERVES

	Capital redemption reserve (£000's)	*Foreign exchange reserve (£000's)*	*Merger reserve (£000's)*	*Capital Contribution Reserve (£000's)*	*Accumulated reserve (£000's)*	*Total (£000's)*
Group						
At 1 October 2017	22	13	21,830	–	(30,321)	(8,456)
Loss for the year	–	–	–	–	(5,631)	(5,631)
Share based payment expense	–	–	–	–	(366)	(366)
Foreign exchange translation reserve on consolidation	–	(7)	–	–	–	(7)
At 30 September 2018	22	6	21,830	–	(36,318)	(14,460)
At 1 October 2018	22	6	21,830	–	(36,318)	(14,460)
Loss for the year	–	–	–	–	(23,372)	(23,372)
Share based payment investment in subsidiaries	–	–	–	–	–	–
Share based payments	–	–	–	6,299	4,033	10,332
Equity contribution from parent	–	–	–	9,907	–	9,907
Share based payments interest	–	–	–	–	129	129
Foreign exchange translation reserve on consolidation	–	(61)	–	–	–	(61)
At 30 September 2019	22	(55)	21,830	16,206	(55,528)	(17,525)

Company	*Capital redemption reserve (£000's)*	*Merger reserve (£000's)*	*Capital Contribution Reserve (£000's)*	*Accumulated reserve (£000's)*	*Total (£000's)*
At 1 October 2017	22	21,830	–	(13,017)	8,835
Loss for the year	–	–	–	(768)	(768)
Share based payment expense	–	–	–	(366)	(366)
At 30 September 2018	22	21,830	–	(14,151)	7,701
At 1 October 2018	22	21,830	–	(14,151)	7,701
Loss for the year	–	–		(8,578)	(8,578)
Equity contribution from parent				–	–
Share based payments	–		(2,474)	4,033	1,559
Share based payment investment in subsidiaries			8,773	–	8,773
Share based payments interest	–		9,907	129	10,036
At 30 September 2019	22	21,830	16,206	(18,567)	19,491

NOTES TO THE FINANCIAL STATEMENTS continued

21. RESERVES *continued*

Merger reserve

The merger reserve arose on the acquisition of SQi3 Solutions Limited on 28 September 2012, Arria Data2text Limited on 25 October 2013 and Global IP Inc., on 25 October 2013. As the consideration consisted entirely of shares, the Company took advantage of merger relief under the Companies Act 2006 and did not record the premium on these shares. The premium was credited to the merger reserve.

In 2015 £6.262 million was transferred from the merger reserve to accumulated losses during the year, as the investments in SQi3 Solutions Limited and Global IP Inc. and associated goodwill were impaired in the prior year.

Capital redemption reserve

The capital redemption reserve arose on repurchase and cancellation the 45,000,000 Ordinary B shares at a nominal value of £0.001 and re-issued in their place, 23,165,488 Ordinary shares at a nominal value of £0.001. The resulting difference of £21,835 was credited to the capital redemption reserve.

22. OBLIGATIONS UNDER OPERATING LEASES

The future aggregate minimum lease payments under non-cancellable operating leases are set out below:

	2019 30 September Land & Buildings (£000's)	*2018 30 September Land & Buildings (£000's)*
Group		
No later than one year	252	232
Later than one year, and not later than five years	545	180
Total	797	412

	2019 30 September Land & Buildings (£000's)	*2018 30 September Land & Buildings (£000's)*
Company		
No later than one year	19	89
Later than one year, and not later than five years	–	–
Total	19	89

NOTES TO THE FINANCIAL STATEMENTS continued

23. FINANCIAL INSTRUMENTS

The Group has exposure to the following key risks related to financial instruments:

i. Credit risk

ii. Market risk

iii. Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated Financial Statements.

The Directors determine, as required, the degree to which it is appropriate to use financial instruments or other hedging contracts or techniques to mitigate risk. The main risk affecting such instruments is foreign currency risk which is discussed below.

The Group uses financial instruments including cash, loans and trade receivables and payables that arise directly from operations.

Due to the simple nature of these financial instruments, there is no material difference between book and fair values. Discounting would not give a material difference to the results of the Group and the Directors believe that there are no material sensitivities that require additional disclosure.

Credit risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. The Group seeks to limit credit risk on liquid funds through trading only with counterparties that are banks with high credit ratings assigned by international credit rating agencies.

The Group's principal financial assets are bank balances, trade and other receivables. At the year end the Group's credit risk is primarily attributable to its trade and other receivables. Receivables are regularly monitored and assessed for recoverability.

NOTES TO THE FINANCIAL STATEMENTS continued

23. FINANCIAL INSTRUMENTS continued

Categories of financial instruments

	Group 30 September 2019 (£000's)	*Group 30 September 2018 (£000's)*	*Company 30 September 2019 (£000's)*	*Company 30 September 2018 (£000's)*
Loans and other receivables				
Level 3				
Cash and cash equivalents	2,807	422	4	38
Trade and other receivables – current	1,448	1,441	21,521	20,383
Trade and other receivables – non-current	151	25	5	4
Financial liabilities at amortised cost				
Level 3				
Trade and other payables	17,357	7,051	12,943	8,261
Borrowings – current	5,318	3,656	5,318	3,656
Borrowings – non-current	4,088	11,748	4,088	11,748
Financial liabilities at fair value through profit & loss				
Level 2				
Derivative liability – current	67	0	67	0
Derivative liability – non-current	124	463	124	463

Fair value estimation

Financial instruments carried at fair value are categorised into three levels as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Group's derivative liability is classified as a level 2 instrument on the basis that it is not traded in an active market and is valued using valuation techniques based on observable market data. The valuation technique used is a discounted cash flow analysis using observable market interest rates which value the host debt instrument, with the residual being the fair value of the derivative instrument.

Market risk

Foreign currency risk

The Group undertakes transactions denominated in foreign currencies other than the functional currency of the Company and its UK operations, being GBP Great Britain Pound with exposure to exchange rate fluctuations. These transactions relate predominately in other currencies being US dollars, Australian dollars and New Zealand dollars. No foreign exchange contracts were in place at 30 September 2019.

NOTES TO THE FINANCIAL STATEMENTS continued

23. FINANCIAL INSTRUMENTS continued

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities were:

	Group 30 September 2019 (£000's)	*Group 30 September 2018 (£000's)*	*Company 30 September 2019 (£000's)*	*Company 30 September 2018 (£000's)*
Assets				
US$	3,145	728	–	22
NZ$	730	34	–	–
AU$	13	13	–	–
Liabilities				
US$	475	1,002	190	3,834
NZ$	35	211	21	525
AU$	36	441	–	11

As at 30 September 2019, if the currency had weakened/strengthened by 20% against the pound sterling, with all else held constant, profit for the year would have been £557,000 lower/higher (2018: £147,000 lower/higher).

ii) Interest rate risk management

The Group can be exposed to interest rate risk where the Group borrows and deposits funds at both fixed and floating interest rates. Risk is managed by maintaining an appropriate mix between fixed and floating rate cash deposits and borrowings as acquired.

Interest rate sensitivity analysis

During the year the Group's loan note borrowings were linked to Bank of England base rate plus 5%. All other borrowings were fixed at interest rates ranging between 5% and 10%.

The losses recorded by both the Group and the Company for the year ended 30 September 2019 would not materially change if market interest rates had been 1% higher/lower throughout the year and all other variables were held constant.

Liquidity risk management

Ultimate responsibility for liquidity management rests with management. The Group's practice is to regularly review cash needs and to place excess funds on fixed term deposits for periods not exceeding one month. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows.

The Directors have prepared a business plan and cash flow forecast for the period to 31 March 2021. The forecast contains certain assumptions about the level of future sales and the level of gross margins achievable. These assumptions are the Directors' current best estimate of the future development of the business.

NOTES TO THE FINANCIAL STATEMENTS continued

23. FINANCIAL INSTRUMENTS continued

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment years. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest due repayment dates. The tables show both interest and principal cash flows.

	0-6 months (£000's)	*6-12 months (£000's)*	*Over 12 months (£000's)*	*Total (£000's)*
Group				
Trade and other payables	17,357	–	–	17,357
Borrowings	5,318	–	4,088	9,406
	22,675	–	4,088	26,763

	0-6 months (£000's)	*6-12 months (£000's)*	*Over 12 months (£000's)*	*Total (£000's)*
Company				
Trade and other payables	12,943	–	–	12,943
Borrowings	5,318	–	4,088	9,406
	18,261	–	4,088	22,349

Fair values

The Directors consider that the carrying amounts of financial assets and financial liabilities approximate their fair values.

Capital risk management

In managing its capital, the Group's primary objective is to maintain a sufficient funding base to enable working capital, research and development commitments and strategic investment needs to be met and therefore to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders. In making decisions to adjust its capital structure to achieve these aims, through new equity and debt issues, the Group considers not only its short term position but also its long term operational and strategic objectives.

The capital structure of the Group currently consists of cash and cash equivalents, loan notes, and equity comprising issued capital, reserves and retained earnings. The Group is not subject to any externally imposed capital requirements.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

NOTES TO THE FINANCIAL STATEMENTS continued

23. FINANCIAL INSTRUMENTS continued

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

	30 September 2019 (£000's)	*30 September 2018 (£000's)*
Group		
Interest bearing liabilities	9,406	15,404
Less cash and cash equivalents	(2,807)	(422)
Net debt	6,599	14,982
Total Equity	(3,574)	(509)
Total capital	3,025	14,473
Gearing ratio	218%	104%

The increase in the gearing ratio during 2019 resulted primarily from the fact that liabilities were reduced as well as the cash increased without the capital increasing. The capital increase is reflected in the parent company Arria NZ and the consolidated gearing ratio at the top level will display the effects of the converted loan notes and increased equity.

24. CONTINGENT LIABILITIES

The Directors are not aware of any material contingent liabilities.

25. RELATED PARTY TRANSACTIONS

Transactions with the Directors and other related parties during the year are detailed below:

Group

(a) Purchases of goods and services

The Company has no purchases of goods or services with related parties for FY2018 or FY2019.

(b) Key management compensation

Key management includes Directors (executive and non-executive), the Chief Financial Officer, Chief Operating Officer, and Company Secretary. The compensation paid or payable to key management is shown below:

	Year ended 30 September 2019 (£000's)	*Year ended 30 September 2018 (£000's)*
Salaries and other short-term benefits	779	849
Company contributions to money purchase pension schemes	12	2
Share based payments	3,553	7
Total	4,344	858

NOTES TO THE FINANCIAL STATEMENTS continued

25. RELATED PARTY TRANSACTIONS continued

(c) Directors

	Year ended 30 September 2019 (£000's)	Year ended 30 September 2018 (£000's)
Aggregate emoluments	274	286
Company contributions to money purchase pension scheme	5	2
Share based payments	2,384	7
Total	2,663	295

The highest paid Director received total emoluments of £279,000 (2018: £250,000), including pension contributions of £5,000 (2018: £2,000). There were no options exercised in the year (2018: Nil). There were no amounts receivable under long term incentive schemes in the year (2018: Nil).

(d) Year-end balances arising from purchases of services

	Year ended 30 September 2019 (£000's)	Year ended 30 September 2018 (£000's)
Payables:		
Key management personnel	–	278
Total	–	278

On 1 October 2018, Sharon Daniels was repaid £153,000 on her existing loan. During FY2019, a debt owed to Sharon Daniels for her consulting work prior to becoming an Arria U.S. employee was converted to her loan account in the amount of £419,000. Sharon Daniels then converted £462,000 of her existing loan balance to equity with the new parent Arria NZ. The consulting work referenced above was included in Sharon Daniels compensation previously and not recorded as a payable.

(e) Share transactions with related parties

The following shares were acquired by related parties during the years:

	2019 Number	2019 (GBP£)	2018 Number	2018 (GBP£)
Purchases by key management personnel:				
Ordinary shares	–	–	150,000	£0.001
Total	–	–	150,000	£0.001

Company

Arria NLG (UK) Limited had the following transactions with the subsidiary Companies:

During the year Arria Data2Text Limited charged the Company £116,000 (2018: £116,000) for technology transfer services and strategy success fees as well as reimbursement of costs. During the year the Company charged Arria Data2Text Limited £2,844,000 (2018: £2,851,000) for consultancy fees and £940,000 (2018: Nil) for the re-charge of share based payments.

NOTES TO THE FINANCIAL STATEMENTS continued

25. RELATED PARTY TRANSACTIONS continued

During the year Arria NLG (NZ) Limited charged the Company £103,000 (2018: £46,000) for consultancy fees.

During the year the Company charged Arria NLG (NZ) Limited £230,000 (2018: Nil) for the re-charge of share based payments.

During the year Arria NLG (USA) Inc. charged the Company £3,489,000 (2018: £2,383,000) for consultancy fees.

During the year the Company charged Arria NLG (USA) Inc £1,267,000 (2018: Nil) for the re-charge of share based payments.

During the year the Company charged Arria NLG (AUS) Pty Limited £64,000 (2018: Nil) for the re-charge of share based payments.

The following are the closing intercompany balances that Arria NLG (UK) Limited has with the subsidiary Companies at 30 September 2019:

	Arria Data2Text Limited (£000's)	*Arria NLG (AUS) Pty Limited (£000's)*	*Arria NLG (NZ) Limited (£000's)*	*Arria NLG (USA) Inc (£000's)*
Accounts Receivable				
(Entity holding receivable)				
Arria NLG (UK) Limited	16,534	163	81	119
Accounts Payable				
(Entity holding payable)				
Arria NLG (UK) Limited	–	–	515	7,029
Inter-Company				
(Entity holding inter-company account)				
Arria NLG (UK) Limited	(485)	711	996	3,352

All intercompany balances are repayable on demand and are not interest bearing.

(f) Controlling parties

The ultimate parent company and controlling party is Arria NLG Limited, registered office Bell Gully Wellington, Level 21 Featherston Street, Wellington 6011, New Zealand. Arria NLG (UK) Limited is a 100% owned subsidiary of Arria NLG Limited.

26. SUBSEQUENT EVENTS

Fundraising

Since the balance sheet date, the Group (Arria NZ) has raised £5 million in the form of Series C and D Raise.

Loan Note Conversion

Since balance date a total of £114,000 have been converted to equity in Arria NZ and £1.2 million have been repaid in cash. The remaining balance is in the process of being converted to equity in Arria NZ. In recognition for converting early in fiscal year 2019, the holders were offered the same terms as the Series C offer which included conversion at a share price of US$0.50 and two offer options at US$0.50 for each share issued.

26. SUBSEQUENT EVENTS continued

COVID-19

The COVID-19 outbreak developed rapidly in 2020, with a significant number of infections. Measures have been taken by the UK Government and other Governments around the world to contain the virus have had a significant impact on economic activity.

Measures to prevent the transmission of the virus include, but not limited to:

- Limiting the movement of people, including requesting that people work from home;
- Restricting flights and other travel; and
- Temporarily closing businesses, schools and cancelling events.

These actions will have an immediate impact on businesses across a wide range of industries. It will also begin to affect supply chains and production of goods throughout the world and lower economic activity is likely to result reduced demand for many goods and services.

To date, the business has not suffered any material impact from the actions taken by the Government in response to COVID 19. The Group's principle activity is the provision of software services and our staff are able to continue with work by working remotely. The measure may impact future sales and margins but this is currently unclear.