Neos Ventures Limited

Registered in England and Wales: No. 09941700

ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

Neos Ventures Limited

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Contents

Neos Ventures Limited
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Directors and officer

Directors

A J Barker
P S Bayles
S W Broughton
M Poll
M G Postle
D C Skinn

Officer - Company secretary

M G Postle

Independent auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Registered office

47 Bermondsey Street
London
SE1 3XT

Company number

Registered in England and Wales: No. 09941700

Other information

Neos Ventures Limited ("the Company") is authorised and regulated by the Financial Conduct Authority. The Company's activities are covered by the Financial Ombudsman Service.

The Company is a member of the Aviva plc group of companies ("the Group" or the "Aviva Group").

Neos Ventures Limited

Registered in England and Wales: No. 09941700

Strategic report

For the year ended 31 December 2019

The directors present their strategic report for the Company for the year ended 31 December 2019.

Review of the Company's business

The principal activity of the Company is the development and deployment of Connected Property Technologies which the Company offers direct to consumers (either as part of a Home Insurance Policy, for which the Company acts as managing general agent, or as a retail offering). Revenue is generated from these activities, which the Company defines as Connected Insurance (for which the Company earns a commission), Connected Business (for which the Company earns set-up and licence fees) and Connected Products (for which the Company earns the revenue from the sale of devices).

The Company's Connected Insurance activities are regulated for which the Company is an insurance intermediary authorised by the Financial Conduct Authority ("FCA") (FRN 752145).

Financial position and performance

The financial position of the Company at 31 December 2019 is shown in the statement of financial position on page 19, with the results shown in the income statement on page 17 and the statement of cash flows on page 20.

2019 revenues of £7,017,000 (2018: £1,846,000) reflects a significant increase on 2018 as Connected Insurance continued to grow after being launched in 2018, and the Company entered new markets through Connected Business and Connected Products in 2019.

As the Company continued to grow in 2019, the Company required additional investment to fund operational losses of £6,238,000 (2018: £4,840,000) and to support the scaling of the Connected Products business. Funding was provided to the Company by Aviva Insurance Limited (AIL) through the following corporate transactions in 2019:

1. £6,998,000 financing in January 2019 through a mixture of a debt to equity swap of £2,350,000 (non-cash) and issuance of preference shares of £4,648,000 for cash consideration to Aviva Insurance Limited ("AIL");
2. £420,000 in the form of advanced commission in July 2019 to support the Connected Insurance business, repayable based on quarterly installments over 2 years, or offsettable against commission as it falls due; and
3. £2,360,000 cash capital contributions during 2019 to support the scaling of the Connected Products business.

Following the equity issuance on 31 January 2019 to AIL, the Company became part of the Aviva Group.

Key developments in 2020

In 2020 the key developments include:

1. The Company withdrew from the Insurance Intermediary market on 1 January 2020 and has subequently sold the renewals rights to existing customers to a third party insurance broking company. The Company has informed the FCA.

2. The Company has been provided with a £2,000,000 floating-rate facility from AIL in April 2020, repayable in June 2021 and secured by way of fixed and floating charges on the Company's assets and intellectual property rights.

3. The Board is undertaking a strategic review of the future direction of the Company to ensure it is well placed to achieve its strategic purpose of development and deployment of Connected Property Technologies direct to customers and in partnership with insurance partners.

4. On 11 March 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic and Governments in affected areas have imposed a number of measures designed to contain the outbreak. The spread of COVID-19 has resulted in an economic downturn. If the pandemic is prolonged, or further diseases emerge that give rise to similar effects, the adverse impact on the global economy could impact the Company's ability to secure income and investment. As an insurance intermediary, the Company continues to maintain sufficient solvency levels and expects to continue to meet its capital requirements. Since the onset of the pandemic the Company has remained operational, with key activities such as cash payments and transaction processing being maintained, IT systems remaining operational, and customers able to contact the Company (and its partners) when they need us most.

Strategic report (continued)
For the year ended 31 December 2019

Section s.172 statement

The Directors report here on how they have discharged their duties under Section 172 of the Companies Act 2006.

The Board is responsible for monitoring and upholding the culture, values, standards, ethics and reputation of the Company to ensure that its obligations to its shareholder and to stakeholders are met. It monitors adherence to the Aviva Group business standards and compliance with local corporate governance requirements, and is committed to act if the business, and that of its subsidiary, should fail to act in the manner that is expected of them.

For each matter which comes before the Board, stakeholders who may be affected are identified and their interests are carefully considered as part of the Board's decision-making process.

Our culture

As the provider of technology and insurance intermediary services to it customers (direct and through its partners), the Company seeks to earn customers' trust by acting with integrity and responsibility at all times. The Company adopts the same culture, and the Board look to build relationships with all its stakeholders based on openness and continuing dialogue.

The Company's culture is shaped in conjunction with the Company's parent, AIL, and ultimate shareholder, Aviva plc ("Aviva Group"), with clearly defined values to help ensure it does the right thing. The Company values diversity and inclusivity in the workforce and beyond. The commitment the Company makes to each customer extends to all stakeholders; that is 'with you today, for a better tomorrow.' Throughout the Company's business, the Board is proud that staff live by the core value of Caring More for customers, for each other and for the communities they serve.

Stakeholder engagement

(i) Employees

As a result of investment secured in 2019, the Company increased its employee base from 23 to 46. The majority of staff recruitment was focussed on technology development to support the three business units and comprises employees and additional specialist contractors.

The Company's employee engagement mechanisms align with Aviva Group, such as employee forums, internal communication channels, informal meetings with Directors and employee engagement surveys.

Strategic report (continued)
For the year ended 31 December 2019

Section s.172 statement (continued)

(ii) Customers
The Board receives regular reporting on customer outcomes and strategic initiatives throughout the year. It closely monitors customer metrics and engages with the leadership team on which it relies to understand the issues if performance does not meet customers' expectations.

The Board continues to monitor IT performance to ensure consistent service for customers and partners.

(iii) Suppliers
All supplier-related activity is managed by the Company. The Company's contractual relationship with Tianjin Hualai Technology CO LTD ("Hualai") is key to the current success of the Company and was procured as a tripartite agreement between the Company, AIL and Hualai which ensures it was in line with the Aviva Group Procurement & Outsourcing Business Standard. This ensures that supply risk is managed appropriately including in relation to customer outcomes, data security, corporate responsibility, financial, operational, contractual, and brand damage caused by inadequate oversight or supplier failure.

The Company operates a Prompt Payment policy to ensure it sets standards for high payment practices.

The Board are involved in the management of critical or important suppliers and the Company reviews reports on their performance.

(iv) Communities
The Company pro-actively supports wellbeing through offering health and mental wellbeing propositions to its employees.

The Company actively encourages and supports colleagues to volunteer in their communities, as it is important for employee wellbeing through the ability to make a positive impact and help build stronger communities.

(v) Shareholders
The Company's immediate majority shareholder is AIL and the ultimate shareholder is Aviva plc. There is ongoing communication and engagement with the AIL Board. Any matters requiring escalation are escalated by the Board through the Chair to AIL. Additionally, members of the AIL Board can attend the Company's Board meetings by invitation.

The Company's Directors and employees are minority shareholders through prior seed capital and an Employee Share Option Scheme (ESOP).

(vi) Regulators
The Company's Board engages with the FCA as and when required.

Neos Ventures Limited

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Strategic report (continued)
For the year ended 31 December 2019

Future outlook

The Company withdrew from the Insurance Intermediary market on 1 January 2020 and has subsequently sold the renewals rights to existing customers to a third party insurance broking company. The Company has informed the FCA.

The Board is undertaking a strategic review of the future direction of the Company to ensure it is well placed to achieve its strategic purpose of development and deployment of Connected Property Technologies direct to customers and in partnership with insurance partners.

Principal risks and uncertainties

A description of the principal risks and uncertainties facing the Company and the Company's risk management policies are set out in note 19 to the financial statements.

Key performance indicators

The directors consider that the Company's key performance indicators (KPIs) that communicate the financial performance are as follows:

- revenue; and
- total loss as a percentage of revenue.

A summary of the KPIs is set out below:

	2019	2018
Revenue (£000)	7,017	1,846
Total loss as a percentage of revenue	-89%	-262%

These KPIs reflect the scaling of the business and entry into new markets (Connected Business and Connected Products) in 2019.

The Company is also proud of its customer ratings which in 2019 and 2020 (rated +4 out of 5 stars) through open access customer portals such as TrustPilot and Amazon reviews.

By order of the Board on 17th February 2021

M Poll
Director

Neos Ventures Limited

Registered in England and Wales: No. 09941700

Directors' report

For the year ended 31 December 2019

The directors present their annual report and audited financial statements for the Company for the year ended 31 December 2019.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

S W Broughton
M Poll
A J Barker (appointed on 13 November 2020)
P S Bayles (appointed on 30 January 2019)
O A Machado (appointed on 30 January 2019 and resigned on 30 November 2020)
M G Postle (appointed on 30 January 2019)
A Beckett (appointed on 30 January 2019 and resigned on 13 November 2020)
R D King (resigned on 30 January 2019)
B D Smith (resigned on 30 January 2019)
D C Skinn (appointed on 30 November 2020)

At any given time, the Board of Directors is constituted by 3 Aviva Directors, 2 Company Executives and 1 Independent Non-Executive. Each Director has equal votes with a casting vote provided to AIL through the position of Chair.

Dividend

The Company does not have distributable reserves and as such the directors do not recommend a final dividend on the Company's preference and ordinary shares for the year ended 31 December 2019 (2018: £nil).

Future outlook

Future developments in the business of the Company are discussed in the strategic report on pages 2 and 5.

Going concern

To enable the continued development and deployment of the Company's Connected Property Technologies offering, the Company is dependent on securing further funding within the next twelve months. To support the Company's operational and financial risks, the Company's parent, Aviva Insurance Limited (AIL), has provided the Company with a letter of support to provide sufficient capital to ensure the Company can continue to meet its financial obligations as they fall due. The letter of support is conditional on AIL continuing to be the Company's parent and therefore there remains a material uncertainty which may cause significant doubt that, should there be a change in control within the period, the Company has not been guaranteed funding for the next twelve months. Notwithstanding this uncertainty , the Company considers it continues to remain appropriate to adopt the going concern basis in preparing its financial statements.

Financial instruments and financial risk management

The business of the Company includes the use of financial instruments. Details of the Company's risk management objectives, policies and exposures to risk relating to financial instruments are set out in note 19 to the financial statements.

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Employees (continued)

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole.

Disclosure of information to the auditors

Each person who was a director of the Company on the date that this report was approved, confirms that:

(a) so far as the director is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware; and

(b) each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Independent auditors

It is the intention of the directors to reappoint the auditors, PricewaterhouseCoopers LLP, under the deemed appointment rules of section 487 of the Companies Act 2006.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

By order of the Board on 17th February 2021

M Poll
Director

Independent auditors' report to the members of Neos Ventures Limited

Report on the audit of the financial statements

Opinion

In our opinion, Neos Ventures Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the income statement, the statement of cash flows, the statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

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

Independence

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

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Basis of Preparation on page 10 of the financial statements concerning the company's ability to continue as a going concern. The company is dependent on securing further funding within the next twelve months. To support the company's operational and financial risks, the company's parent, Aviva Insurance Limited (AIL), has provided the company with a letter of support to provide sufficient capital to ensure the company can continue to meet its financial obligations as they fall due. The letter of support is conditional on there being no change in control within the period and therefore, should such an event occur, these conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Other matter

The financial statements for the year ended 31 December 2018, forming the corresponding figures of the financial statements for the year ended 31 December 2019, are unaudited.

Matthew Nichols (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 February 2021

Neos Ventures Limited

Registered in England and Wales: No. 09941700

Accounting policies

The Company is a private limited liability company incorporated and domiciled in the United Kingdom (UK). The principal activity of the Company is the development and deployment of Connected Property Technologies within the Insurance market.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(A) Basis of preparation

The financial statements of the Company have been prepared and approved by the directors in accordance with International Accounting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

As described in the directors' report on page 6, the Company is reliant on further funding to continue operations for the next twelve months and there is a material uncertainty which may cause significant doubt over the availability of this funding. However, notwithstanding this uncertainty, the financial statements of the Company have been prepared by the directors on the going concern basis. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

The Company is exempt from preparing group financial statements by virtue of section 400 of the Companies Act 2006, as it is a subsidiary of an EEA parent and is included in the consolidated financial statements for the Aviva Group, i.e. the ultimate parent company, Aviva plc, and its subsidiaries, joint ventures and associates, at the same date. These financial statements therefore present information about the Company as an individual entity.

The financial statements are stated in pounds sterling, which is the Company's functional and presentational currency. Unless otherwise noted, the amounts shown in these financial statements are in thousands of pounds sterling ("£000").

First-time adoption of IFRS

These financial statements, for the year ended 31 December 2019, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2018, the Company prepared its financial statements in accordance with United Kingdom generally accepted accounting principles (UK GAAP).

Accordingly, the Company has prepared financial statements that comply with IFRS applicable as at 31 December 2019, together with the comparative period data for the year ended 31 December 2018, as described in the summary of significant accounting policies. In preparing the financial statements, the Company's opening statement of financial position was prepared as at 1 January 2018, the Company's date of transition to IFRS. Note 23 explains the principal adjustments made by the Company in restating its Local GAAP financial statements, including the statement of financial position as at 1 January 2018 and the financial statements as of, and for, the year ended 31 December 2018.

New standards, interpretations and amendments to published standards that have been adopted by the Company

The Company has adopted the following amendments to standards which became effective for the annual reporting period beginning on 1 January 2019:

(i) IFRS 16, Leases

In January 2016, the IASB published IFRS 16 Leases. This standard replaces IAS 17 Leases and applies to annual reporting periods beginning on or after 1 January 2019.

The adoption of IFRS 16 has resulted in an update to the Company's stated accounting policy for leases. The standard has introduced a definition of a lease with a single lessee accounting model, eliminating the previous classification of either operating or finance leases. Lessees are required to recognise lease assets and liabilities on the statement of financial position for all leases, with the exception of short-term and low-value leases.

Accounting policies (continued)

(A) Basis of preparation (continued)

(i) IFRS 16 Leases (continued)

The Company has chosen to adopt the fully retrospective approach on transition permitted by IFRS 16. Accordingly, the prior period comparatives have been restated, as shown in note 23.

On transition, and where applicable, the Company has applied the following practical expedients:
- Applied a single discount to a portfolio of leases with reasonably similar characteristics;
- Relied on existing assessments on whether leases are onerous as an alternative to performing an impairment review. Where such leases existed, the onerous lease provision held at 31 December 2018 was offset against the initial right-of-use asset at the date of initial application as permitted by IFRS 16;
- Excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term when the contract contains options to extend or terminate the lease.

Application of the fully retrospective approach has resulted in a reduction of retained earnings of £nil at 1 January 2019. A higher initial amortisation of the right of use asset compared to the lease liability can result in the asset value being lower than the lease liability during the lease term, with the difference between the two generally converging to nil as the lease term ends. There have been corresponding increases in the value of assets (£268,000) and liabilities (£268,000) at 1 January 2019, representing the right of use assets and lease liabilities, net of any associated tax impacts, not previously recognised on the balance sheet in accordance with IAS 17. There has been no material impact on profit before tax.

The weighted average discount rate applied to the lease liabilities recognised as at 1 January 2019 was 1.7%.

The Company has made use of the election available under IFRS 16 to not recognise any amounts on the balance sheet associated with leases that are either deemed to be short-term, or where the underlying asset is of low value. A short-term lease in this context is defined as any arrangement that has a lease term of 12 months or less. Lease payments associated with such arrangements continue to be recognised in the Income Statement as an expense on a straight-line basis.

Lease liabilities in respect of operating leases brought on to the balance sheet at 1 January 2019 following the adoption of IFRS 16 were £268,000. The balance shown at 1 January 2019 represents a present value of lease payments.

The following amendments to existing standards and IFRIC interpretations have been issued, are effective from 1 January 2019 or earlier, and do not have a significant impact on the Company's financial statements.

(i) IFRIC 23, Uncertainty over Income Tax Treatments
In June 2017, the IASB published IFRIC 23 *Uncertainty over Income Tax Treatments*. The standard is effective for annual reporting beginning on or after 1 January 2019.

(ii) Annual Improvements to IFRS standards 2015-2017 Cycle
These improvements consist of amendments to three IFRSs including IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income taxes* and IAS 23 *Borrowing Costs*. The amendments are effective for annual reporting beginning on or after 1 January 2019.

Standards, interpretations and amendments to published standards that are not yet effective and and have not been adopted early by the Company
The following new standards, amendments to existing standards have been issued, are not yet effective and are not expected to have a significant impact on the Company's financial statements:

(i) Amendments to References to the Conceptual Framework in IFRS Standards
Published by the IASB in March 2018. The amendments are effective for annual reporting beginning on or after 1 January 2020.

Accounting policies (continued)

(A) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective and and have not been adopted early by the Company (continued)

(ii) IAS 1 and IAS 8: definition of material
Published by the IASB in October 2018. The amendments are effective for annual reporting beginning on or after 1 January 2020.

(iii) Interest Rate Benchmark Reform
Published by the IASB in October 2019. The amendments are effective for annual reporting beginning on or after 1 January 2020.

(iv) Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as current or non-current
Published by the IASB in January 2020. The amendments are effective for annual reporting beginning on or after 1 January 2023.

(B) Critical accounting policies and the use of estimates

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

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Company does not consider any particular estimate or assumption to have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

(C) Subsidiaries

Subsidiaries are those entities over which the Company has control. The Company controls an investee if, and only if, the Company has all of the following:
- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Company considers all relevant facts and circumstances in assessing whether it has power over an investee including: the purpose and design of an investee, relevant activities, substantive and protective rights, and voting rights and potential voting rights. The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Investments in subsidiaries are recognised at cost less impairment. Investments are reviewed annually to test whether any indicators of impairment exist. Where there is objective evidence that such an asset is impaired, such as the financial difficulty of the entity or a significant prolonged decline in fair value below cost, the investment is impaired to its recoverable value and any unrealised loss is recorded in the income statement.

(D) Revenue recognition

(a) Sales of Connected Insurance
Revenue from insurance broking services comprises the commission on sale of policies written, net of value added tax, cancellations and rebates. The Company acts as the agent in an intermediary capacity in the transaction and commission rates are based on agreed terms with the relevant insurers.

Commission income allocated to the policy placement services is recognised on the effective date of the completion of the specific transaction when control of the policy transfers to the customer. The Company's commission income is calculated based on the commission on sale of the relevant insurance company's insurance products.

Variable consideration, such as performance fees and commission subject to clawback arrangements, is not recognised as revenue until it is reasonably certain that no significant reversal of amounts recognised would occur.

Accounting policies (continued)

(D) Revenue recognition (continued)

(b) Sales of Connected Products

Revenue is recognised on connected products at a point in time when the performance obligation is fulfilled, i.e when control of the device is transferred to the reseller. The reseller obtains control of the goods on the later of payment or delivery. The transaction price is determined by the contractual price with the reseller.

(c) Sales of Connected Business

Revenue is derived from licencing and set up income, and recognised in the accounting period when the performance obligation has been satisfied and at the transaction price negotiated with the customer. Contracts include the following:

- platform set up: performance conditions are based on completion of the agreed phase of work within the contract terms; and
- retainer fees: a fixed monthly sum for the provision of service for each month.

The revenue recognition policies and methods selected are considered appropriate as they are a faithful depiction of the services being provided and the contractual arrangements to provide them. No ongoing performance obligations exist as a part of revenue recognised.

(E) Cost of sales

Cost of sales represent direct costs incurred in the provision of the Company's services including, but not limited to, cost of inventory and inventory management and insurance market aggregator costs. Costs are recognised on an accruals basis.

(F) Administrative expenses

Administrative expenses, comprising staff costs and general overheads, are recognised on an accruals basis.

(G) Property, plant and equipment

Items classed as property, plant and equipment within the statement of financial position are carried at historical cost less accumulated depreciation.

Depreciation is calculated on the straight-line method to write down the cost of assets to their residual values over their estimated useful lives as follows:

Motor vehicles	4 years
Fixtures, fittings and equipment	3 to 7 years

The assets' residual values, useful lives and method of depreciation are reviewed regularly, and at least at each financial year end, and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount.

Borrowing costs directly attributable to the acquisition and construction of property and equipment are capitalised. All repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing asset will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated over the remaining useful life of the related asset.

(H) Intangible assets

Intangible assets consist primarily of internally developed systems. The economic lives of these are determined by considering relevant factors such as usage of the asset, typical product life cycles, potential obsolescence, maintenance costs, the stability of the industry, competitive position and the period of control over the assets. These intangibles are amortised over their useful lives, which range up to 3 years, using the straight-line method. The amortisation charge for the period is included in the income statement under administrative expenses.

Accounting policies (continued)

(H) Intangible assets (continued)

Impairment

The carrying amount of intangible assets is reviewed at least annually or when circumstances or events indicate there may be uncertainty over this value. Intangibles are written down for impairment where the recoverable amount is insufficient to support its carrying value. Any impairments are charged as expenses in the income statement.

(I) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for expected credit losses. The Company makes use of the simplified approach when calculating expected credit losses on trade and other receivables and therefore calculates expected credit losses over the lifetime of the instrument in question. Expected credit losses on third party trade receivables and accrued income are calculated with reference to the Company's historical experience of losses, along with an analysis of payment terms. Short term financial assets (where all amounts are receivable within 12 months from the reporting date) do not generally attract an expected credit loss charge, unless there is objective evidence that losses are likely to arise.

(J) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work in progress comprises direct purchasing costs of units. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business.

Provision is made against inventories which are obsolete or surplus to requirements.

(K) Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and in hand, deposits held at call with banks and balances due to Insurers, which are managed by the Company under a risk transfer agreement. As at 31 December 2019 the cash balance held under risk transfer was £533,397 (2018: £522,966) and within the balance sheet there is an opposite Insurer Creditor which reflects that monies are held on behalf of the Insurer.

(L) Derecognition and offset of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently enforceable legal right to set off the recognised amounts and there is the ability and intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Accounting policies (continued)

(M) Income taxes

The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits before taxation and amounts charged or credited to components of other comprehensive income and equity as appropriate.

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The rates enacted or substantively enacted at the statement of financial position date are used to value the deferred tax assets and liabilities.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where there is a history of tax losses, deferred tax assets are only recognised in excess of deferred tax liabilities if there is convincing evidence that future profits will be available.

Deferred tax is provided on any temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred taxes are not provided in respect of any temporary differences arising from the initial recognition of goodwill, or from the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit or loss at the time of the transaction.

Current and deferred tax relating to items recognised in other comprehensive income and directly in equity are similarly recognised in other comprehensive income and directly in equity respectively. Deferred tax related to any fair value re-measurement of available for sale investments, owner-occupied properties, pensions and other post-retirement obligations and other amounts charged or credited directly to other comprehensive income is recognised in the statement of financial position as a deferred tax asset or liability.

(N) Contingent liabilities

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reliably estimated.

(O) Share capital

Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Accordingly, a financial instrument is treated as equity if:

(i) there is no contractual obligation to deliver cash or other financial assets to exchange financial assets or liabilities on terms that may be unfavourable; and

(ii) the instrument is a non-derivative that contains no contractual obligation to deliver a variable number of shares or is a derivative that will be settled only by the Company exchanging a fixed amount of cash or other assets for a fixed number of the Company's own equity instruments.

Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on these shares are recognised when they have been approved by shareholders. During the period since inception, the Company has not paid any dividends.

Accounting policies (continued)

(P) Employee share ownership schemes

The Company accounts for options and awards under equity compensation plans until such time as they are fully vested, using the fair value based method of accounting (the 'fair value method'). Under this method, the cost of providing equity compensation plans is based on the fair value of the share awards or option plans at date of grant, which is recognised in the income statement over the expected vesting period of the related employees and credited to the equity compensation reserve, part of shareholders' funds.

When the options are exercised and new shares are issued, the proceeds received, net of any transaction costs, are credited to share capital (par value) and the balance to share premium. The relevant amount in the equity compensation reserve is then credited to retained earnings.

Neos Ventures Limited

Registered in England and Wales: No. 09941700

Income statement
For the year ended 31 December 2019

	Note	2019	2018 (unaudited)
		£000	£000
Revenue	1	7,017	1,846
Cost of sales	1	(5,927)	(2,060)
Gross profit / (loss)		1,090	(214)
Administrative expenses	1	(7,328)	(4,626)
Loss before tax		(6,238)	(4,840)
Tax credit/(charge)	5	63	-
Loss for the year		(6,175)	(4,840)

The Company has no recognised income and expenses other than those included in the results above and therefore a statement of comprehensive income has not been presented.

The accounting policies on pages 10 to 16 and notes on pages 21 to 38 are an integral part of these financial statements.

Neos Ventures Limited

Registered in England and Wales: No. 09941700

Statement of changes in equity

For the year ended 31 December 2019

	Note	Ordinary share capital £000	Preference share capital £000	Other reserves £000	Accumulated losses £000	Total equity £000
Balance at 1 January 2018 (unaudited)		1,287	5,000	55	(2,069)	4,273
Loss after tax and total comprehensive loss for the year		-	-	-	(4,840)	(4,840)
Reserves credit for equity compensation plans	16	-	-	37	-	37
Balance at 31 December 2018 (unaudited)		1,287	5,000	92	(6,909)	(530)
Loss after tax and total comprehensive loss for the year		-	-	-	(6,175)	(6,175)
Issuance of preference shares on conversion of convertible loan	15	-	2,350	-	-	2,350
Issuance of preference shares	15	-	4,648	-	-	4,648
Capital contribution	16	-	-	2,360	-	2,360
Reserves credit for equity compensation plans	16	-	-	944	-	944
Balance at 31 December 2019		1,287	11,998	3,396	(13,084)	3,597

The accounting policies on pages 10 to 16 and notes on pages 21 to 38 are an integral part of these financial statements.

Neos Ventures Limited

Registered in England and Wales: No. 09941700

Statement of financial position

As at 31 December 2019

	Note	2019 £000	2018 (unaudited) (restated) £000	2017 (unaudited) (restated) £000
ASSETS				
Non-current assets				
Property, plant and equipment	8	77	43	55
Right-of-use assets	9	293	268	367
Intangible assets	7	783	783	783
Investment in subsidiary	6	-	-	-
Trade and other receivables	10	94	94	-
		1,247	1,188	1,205
Current assets				
Inventory	11	812	10	85
Trade and other receivables	10	1,590	1,203	94
Cash and cash equivalents	18	2,191	887	3,384
		4,593	2,100	3,563
Total assets		5,840	3,288	4,768
LIABILITIES				
Non-current liabilities				
Borrowings	13	(170)	(2,350)	-
Lease liabilities	12	(173)	(170)	(270)
		(343)	(2,520)	(270)
Current liabilities				
Trade and other payables	12	(1,560)	(1,200)	(128)
Borrowings	13	(220)	-	-
Lease liabilities	12	(120)	(98)	(97)
		(1,900)	(1,298)	(225)
Total liabilities		(2,243)	(3,818)	(495)
Net assets / (liabilities)		3,597	(530)	4,273
EQUITY				
Ordinary share capital	15	1,287	1,287	1,287
Other equity	15	11,998	5,000	5,000
Other reserves	16	3,396	92	55
Accumulated losses		(13,084)	(6,909)	(2,069)
Total equity		3,597	(530)	4,273

The 2017 and 2018 statements of financial position have been restated, as explained in note 23.

The accounting policies on pages 10 to 16 and notes on pages 21 to 38 are an integral part of these financial statements.

The financial statements on pages 10 to 38 were approved by the Board of Directors on 17th February 2021 and signed on its behalf by:

M Poll, Director

Neos Ventures Limited

Registered in England and Wales: No. 09941700

Statement of cash flows
For the year ended 31 December 2019

	Note	2019 £000	2018 (unaudited) £000
Cash flows from operating activities			
Net cash outflow from operating activities	18(a)	(5,731)	(4,563)
Tax received		63	-
Net cash used in operating activities		(5,668)	(4,563)
Cash flows from investing activities			
Purchases of property, plant & equipment		(78)	(23)
Purchases of intangibles		(348)	(261)
Total outflow from investing activities		(426)	(284)
Cash flows from financing activities			
Issuance of preference shares		4,648	-
Capital contribution		2,360	-
Borrowing		390	2,350
Net cash generated from financing activities		7,398	2,350
Net increase / (decrease) in cash and cash equivalents		1,304	(2,497)
Cash and cash equivalents at 1 January		887	3,384
Cash and cash equivalents at 31 December	18(b)	2,191	887

The accounting policies on pages 10 to 16 and notes on pages 21 to 38 are an integral part of these financial statements.

Neos Ventures Limited

Registered in England and Wales: No. 09941700

Notes to the financial statements

1. Revenue and expenses

Revenue comprises the following:	2019	2018 (unaudited)
	£000	£000
Connected Insurance Written Commission	1,733	667
Connected Business (Non Device)	2,188	735
Connected Devices	3,096	255
Other income	-	189
	7,017	1,846

The following items have been included in arriving at loss before tax:

	2019	2018 (unaudited)
	£000	£000
Depreciation of property and equipment	44	35
Amortisation of intangibles	348	261

2. Employee information

The monthly average number of persons employed by the Company during the year, excluding non-executive directors, was:

	2019	2018 (unaudited)
	Number	Number
Operations	32	18
Administration	5	3
	37	21

Total staff costs were:	2019	2018 (unaudited)
	£000	£000
Wages and salaries	2,214	1,146
Social security costs	404	144
Equity compensation plans	944	37
Post-retirement obligations: defined contribution schemes	53	31
	3,615	1,358
These costs were charged within:		
Administrative expenses	3,615	1,358

3. Directors' remuneration

	2019	2018 (unaudited)
	£000	£000
Aggregate emoluments	326	175
Money purchase pension contributions	3	3
	329	178

Notes to the financial statements (continued)

3. Directors' remuneration (continued)

The Company has six directors of which three directors are remunerated for their roles as employees across the Group. They are not remunerated directly for their services as directors of this Company and the amount of time spent performing their duties is incidental to their roles across the Group. No cost is borne by the Company for these services (2018: £nil).

	2019	2018 (unaudited)
Highest paid director	**£000**	**£000**
Aggregate emoluments	150	91
Money purchase pension contributions	2	1
	152	92

During the year, no Company shares were granted to Directors (2018: nil).

4. Auditors' remuneration

The total remuneration payable, excluding VAT, to the Company's auditors, PricewaterhouseCoopers LLP, in respect of the audit of these financial statements, is shown below.

	2019	2018 (unaudited)
	£000	**£000**
Fees payable for the audit of the Company's financial statements	127	-

5. Tax (credit) / charge

(a) Tax (credited) / charged to the income statement
(i) The total tax (credit) / charge comprises:

	2019	2018 (unaudited)
Current tax:	**£000**	**£000**
For this year	(63)	-
Total current tax	(63)	-
Total tax (credited) / charged to the income statement	(63)	-

Notes to the financial statements (continued)

5. Tax (credit) / charge (continued)

(b) Tax reconciliation

The tax on the Company's loss before tax differs (2018: differs) from the theoretical amount that would arise using the tax rate in the UK as follows:

	2019 £000	2018 (unaudited) £000
Loss before tax	(6,238)	(4,840)
Tax charge calculated at standard UK corporation tax rate of 19.0% (2018: 19.0%)	(1,185)	(920)
Non-assessable income	(63)	-
Movement in deferred tax asset not recognised	1,185	920
Total tax credited / (charged) to the income statement	(63)	-

Finance Act 2016 introduced legislation reducing the UK corporation tax rate from 1 April 2020 to 17%. This reduced rate was used in the calculation of the Company's unrecognised deferred tax assets and liabilities as at 31 December 2019. In the Budget of 11 March 2020 the UK Government reversed this rate reduction, announcing that the UK corporation tax rate will remain at 19% from 1 April 2020 and this was substantively enacted on 17 March 2020. As of 31 December 2019, this measure had not been substantively enacted and therefore no impact is reflected in the calculation of the Company's unrecognised deferred tax assets as at 31 December 2019.

6. Investment in subsidiary

(a) Particulars of investments in subsidiaries are given below. Noon Systems Limited is incorporated in the United Kingdom and its registered address is 47 Bermondsey Street, London, England, SE1 3XT. Neos Ventures Inc was incorporated in the US (Delaware) on 10 June 2019 and has remained inactive since incorporation.

Company	Type of business	Class of share	Proportion held
Noon Systems Limited	Dormant	Ordinary	100.0%
Neos Ventures Inc	Inactive	Ordinary	100.0%

(b) Movement in the Company's investment subsidiaries is:

Cost and net book value	2019 £000	2018 (unaudited) £000
At 1 January and 31 December	-	-

Notes to the financial statements (continued)

7. Intangible assets

	2019	2018 (unaudited)
	£000	£000
Cost or valuation		
At 1 January (unaudited)	1,044	783
Additions	348	261
At 31 December	1,392	1,044
Accumulated amortisation		
At 1 January (unaudited)	261	-
Charge for the year	348	261
At 31 December	609	261
Carrying amount		
At 31 December	783	783

8. Property, plant and equipment

	Motor vehicles	Fixtures, fittings and equipment	Total
	£000	£000	£000
2019			
Cost or valuation			
At 1 January 2019 (unaudited) (restated)	3	92	95
Additions	2	76	78
At 31 December 2019	5	168	173
Accumulated depreciation			
At 1 January 2019 (unaudited) (restated)	-	52	52
Charge for the year	-	44	44
At 31 December 2019	-	96	96
Carrying amount			
At 31 December 2019	5	72	77
2018			
Cost or valuation			
At 1 January 2018 (unaudited) (restated)	-	72	72
Additions	3	20	23
At 31 December 2018 (unaudited) (restated)	3	92	95
Accumulated depreciation			
At 1 January 2018 (unaudited) (restated)	-	17	17
Charge for the year	-	35	35
At 31 December 2018 (unaudited) (restated)	-	52	52
Carrying amount			
At 31 December 2018 (unaudited) (restated)	3	40	43

9. Right of use assets and lease liabilities

From 1 January 2019 the Company has adopted IFRS 16 Leases, the standard which replaces IAS 17 Leases. Adoption of the standard has resulted in assets previously held under operating leases (and their corresponding lease liabilities) being recognised on the statement of financial position for the first time. Adoption of the standard resulted in the following assets and liabilities being included within the statement of financial position for the first time at 1 January 2019:

- £268,000 lease liabilities, included within other liabilities (see note 12).

(i) Total interest expense included in the income statement in respect of lease liabilities is £nil. Total cash outflows recognised in the year in relation to leases were £125,000. Variable lease payments not included in the measurement of lease liabilities were £nil.

(ii) The following table analyses the right of use assets relating to leased properties occupied by the Company as well as other leased assets:

	2019	2018 (unaudited)
	£000	£000
Balance at 1 January	268	367
Additions	143	-
Depreciation	(118)	(99)
Balance at 31 December	293	268

(iii) Future contractual aggregate minimum lease payments are as follows:

	2019	2018 (unaudited)
	£000	£000
Within one year	125	104
Between one year and five years	157	177
Between five years and ten years	46	-
Total at 31 December	328	281

The cash flows above assume that break clause provisions in the leases are not exercised prior to contract maturity.

Notes to the financial statements (continued)

10. Trade and other receivables

	2019 £000	2018 (unaudited) £000
Trade receivables	1,154	448
Prepayments	204	94
Other debtors	326	755
	1,684	1,297
Expected to be recovered within one year	1,590	1,203
Expected to be recovered in more than one year	94	94
	1,684	1,297

Financial assets within Trade receivables are held to collect on the contractual cash flows due to the Company, and are deemed to be solely payments of principal and interest. As a result of this business model and the assessment of the contractual cash flows, these instruments have been measured at amortised cost, which approximates to fair value.

11. Inventory

	2019 £000	2018 (unaudited) £000
Stock of devices	812	10
	812	10

The cost of inventories recognised as expense and included in 'cost of sales' in the income statement for the year amounted to £3.3 million (2018: £1.3 million). The increase in 2019 reflected the Company's entrance into the UK retail market where it offered and sold devices on a stand alone retail basis.

There is no impairment recognised in the year to cost of inventory (2018: £nil).

12. Payables and other liabilities

	2019 £000	2018 (unaudited) (restated) £000
Trade payables	(1,464)	(1,199)
Social security and other taxes	(96)	(1)
Lease liabilities	(293)	(268)
	(1,853)	(1,468)
Expected to be settled within one year	(1,680)	(1,298)
Expected to be settled after one year	(173)	(170)
	(1,853)	(1,468)

All payables and other financial liabilities are carried at amortised cost, which approximates to fair value.

13. Borrowings

	2019 £000	2018 (unaudited) £000
Convertible loan notes	-	(2,350)
Unsecured non-interest bearing advance commission repayable (see related parties note 21)	(390)	-
	(390)	(2,350)
Expected to be settled within one year	(220)	-
Expected to be settled after one year	(170)	(2,350)
	(390)	(2,350)

The convertible loan notes were redeemed and settled by conversion to equity in January 2019 (see note 15).

All payables and other financial liabilities are carried at amortised cost, which approximates to fair value.

14. Tax assets and liabilities

(a) Deferred taxes

Deferred tax assets are recognised to the extent that realisation of the related tax benefit through future taxable profits is probable. Due to the uncertainty over their recoverability, no asset has been recognised in respect of taxable losses of £13,084,000 which are available to carry forward against future taxable income.

15. Ordinary and preference share capital

	2019	2018 (unaudited)
	£000	£000
Ordinary: allotted, called-up and fully paid		
379,952 (2018: 402,174) ordinary A shares of £0.001 each	1,287	1,287
12,108 (2018: 8,629) ordinary B shares of £0.001 each	-	-
	1,287	1,287
Preference: allotted, called-up and fully paid		
1,393,333 (2018: 130,075) preference shares of £0.001 each	11,998	5,000
	11,998	5,000

In December 2018, AIL exchanged agreements to purchase shares from existing shareholders (who were not involved in the day to day operations) and inject further growth capital into the Company.

These agreements were subject to approval by the FCA under a Change of Control assessment, which the FCA granted in January 2019, and resulted in AIL acquiring shares from exiting shareholders, swapping Convertible Loans Notes totalling £2,350,000 (issued in 2018) into preference shares, and acquiring new preference shares issued of £4,648,000. In addition, 22,222 ordinary shares were cancelled as part of the capital restructure.

The ordinary A, ordinary B and preference shares rank pari passu for declarations of dividends. Each preference share and ordinary A share carry one voting right per share. The ordinary B shares do not carry voting rights. The preference shares rank above ordinary A and ordinary B shares in a winding-up event of the Company.

16. Other reserves

	2019	2018 (unaudited)
	£000	£000
Capital contribution from parent company	2,360	-
Equity compensation reserve	1,036	92
	3,396	92

17. Contingent liabilities and other risk factors

The Company has received £63,000 of research and development tax credits, which may be subject to clawback within four years.

18. Statement of cash flows

	2019 £000	2018 (unaudited) £000
(a) Net cash outflow from operating activities		
Loss before tax	(6,238)	(4,840)
Increase in trade and other receivables	(387)	(1,203)
Decrease in trade and other payables	360	1,072
(Increase)/decrease in inventories	(802)	75
Depreciation of property, plant & equipment	44	35
Amortisation of intangibles	348	261
Equity compensation plans, equity settled expense	944	37
Net cash outflow from operating activities	(5,731)	(4,563)

(b) Cash and cash equivalents at 31 December

	2019 £000	2018 (unaudited) (restated) £000
Cash at bank	2,191	887

Cash at bank includes balances due to insurers, which are managed by the Company under a risk transfer agreement. As at 31 December 2019 the cash balance held under risk transfer was £533,000 (2018: £523,000), and within Trade payables there is a opposite Insurer Creditor which reflects that monies are held on behalf of and due to the Insurer.

Notes to the financial statements (continued)

19. Risk management policies

(a) Risk management framework

The Company operates in accordance with the Aviva Group's risk management framework that forms an integral part of the management and Board processes and decision-making framework. The key elements of the risk management framework comprise risk appetite; risk governance, including risk policies and business standards and roles and responsibilities; and the processes used to identify, measure, manage, monitor and report ("IMMMR") risks.

The Board has overall responsibility for determining risk appetite for the Company, which is an expression of the risk the business is willing to take. For the purposes of risk identification and measurement, risks are usually grouped by risk type: market, credit, liquidity and operational risk. Risks falling within these types may affect a number of metrics including those relating to strength within the statement of financial position, liquidity and profit. They may also affect the performance of the products or services the Company delivers, which can be categorised as risks to brand and reputation.

The risk policies and business standards set out the risk strategy, appetite, framework and minimum requirements for the Aviva Group's operations.

Roles and responsibilities for risk management in the Company are based around the 'three lines of defence model' where ownership for risk is taken at all levels. Line management in the business are accountable for risk management, including the implementation of the risk management framework and embedding of the risk culture. The Group's Risk Function is accountable for quantitative and qualitative oversight and challenge of the IMMMR processes and for developing the risk management framework. Internal Audit provides an independent assessment of the Group's overall risk management framework and internal control processes.

(b) Market risk

Market risk is the risk of adverse financial impact resulting directly or indirectly from fluctuations in interest rates and foreign currency exchange rates. Market risk arises due to fluctuations in both the value of liabilities and the value of investments held.

The Company's Board regularly monitors exposure to market risks. The Company does not have material foreign currency exposures.

At 31 December 2019, the Company's borrowings are non-interest bearing and therefore the Company no longer has a material exposure to interest rate risk.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the Company's borrowings. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Effect on profit before tax	
	2019	2018 (unaudited)
	£000	£000
Increase of interest rates by 1%	-	8
Decrease of interest rates by 1%	-	(8)

Notes to the financial statements (continued)

19. Risk management policies (continued)

(c) Credit risk

Credit risk is the risk of financial loss as a result of the default or failure of third parties to meet their payment obligations to the Company.

Where external credit ratings are available for financial assets, a significant increase in the credit risk of a financial asset is identified where there has been a significant deterioration in the respective credit rating. In all circumstances, where contractual payments are more than 30 days past due, there is deemed to be a significant increase in the credit risk of the related financial asset.

A financial asset is considered to be in default where contractual payments are past due, and there is objective evidence that the counterparty will be unable to subsequently meet their payment obligations. A financial asset is written off only when all other available measures have been taken to recover amounts due. During the year, none of the cash flows associated with any of the Company's financial assets have been modified or renegotiated.

The Company makes use of the simplified approach when calculating expected credit losses on receivables and therefore calculates expected credit losses over the lifetime of the instrument in question. Expected credit losses on third party receivables and accrued income are calculated with reference to the Company's historical experience of losses, along with an analysis of payment terms. Short term financial assets (where all amounts are receivable within 12 months from the reporting date) do not generally attract an expected credit loss charge, unless there is objective evidence that losses are likely to arise.

The Company's finanical assets comprise cash, trade receivables (note 9) and other debtors (note 9). All assets are neither past due nor impaired. Cash and cash equivalents are held with one counterparty (2018: one) which is a highly rated banking institution.

The Company has not purchased or originated any credit-impaired financial assets as at the reporting date.

As at the reporting date, no lifetime expected credit losses have been recognised in relation to any receivables.

The management of credit risk is overseen by the Board.

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations as they fall due.

The Company ensures it has sufficient liquid funds to meet its expected obligations as they fall due.

The Company's trade and other payables are due within one year and non-interest bearing. The Company has outstanding borrowings (note 13). The undiscounted maturity profile, including any unearned interest is as follows:

	2019	2018 (unaudited)
	£000	£000
Within one year	220	-
Later than one year and not later than 5 years	170	-
Later than 5 years	-	2,350
Total at 31 December	390	2,350

The management of liquidity risk is overseen by the Board.

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from inadequate or failed internal processes, people and systems, or external events including changes in both the regulatory and data environment. The Company has limited appetite for operational risk and aims to reduce these risks as far as is commercially sensible. The management of operational risk is overseen by the Board.

Notes to the financial statements (continued)

19. Risk management policies (continued)

(f) COVID-19

On 11 March 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. Governments in affected areas have imposed a number of measures designed to contain the outbreak, including business closures, travel restrictions, stay at home orders and cancellations of gatherings and events. The spread of COVID-19 has resulted in an economic downturn in jurisdictions from which the Company derives insurance commission and other revenues and the global economy more widely, as well as causing increased volatility and declines in financial markets. If the pandemic is prolonged, or further diseases emerge that give rise to similar effects, the adverse impact on the global economy could be deepened and result in further declines in financial markets.

The Company is impacted by the COVID-19 pandemic through the sources of revenue from sales of Connected Products and disruption to customers linked to Connected Business revenues. The Company's balance sheet exposure has been reviewed and actions will be taken if necessary, to further reduce the sensitivity to economic shocks. The Company continues to maintain sufficient solvency levels and expects to continue to meet its capital requirements. Since the onset of the pandemic the Company has remained operational, with key activities such as cash payments and transaction processing being maintained, IT systems remaining operational, and employees including frontline customer facing staff being supported to ensure that that we are there to support our customers when they need us most. Notwithstanding the Company's strong capital and liquidity position and the operational and financial actions that are being taken, deterioration in the situation could have further adverse implications arising from the impacts on financial markets, customers and operations.

Notes to the financial statements (continued)

20. Capital structure

The Company maintains an efficient capital structure from equity shareholder's funds, consistent with the Company's overall risk profile and the regulatory and market requirements of the business. This note describes the way the Company manages capital and shows how this is structured.

(a) Capital management

In managing its capital, the Company seeks to:

(i) maintain financial strength to support new business growth and satisfy the requirements of its regulators;
(ii) retain financial flexibility by maintaining strong liquidity; and
(iii) allocate capital efficiently to support growth and repatriate excess capital where appropriate.

(b) Different measures of capital

The Company measures its capital on a number of different bases. These include measures which comply with the regulatory regime within which the Company operates and those which the directors consider appropriate for the management of the business. The measures which the Company uses are:

(i) Accounting basis

The Company is required to report its results on an IFRS basis.

(ii) Regulatory bases

Relevant capital and solvency regulations are used to measure and report the Company's financial strength. These measures are based on the Financial Conduct Authority's current regulatory requirements.

Following the financing received in January 2019 (described in the Strategic Report), the Company fully complied with these regulatory requirements.

(c) Capital structure

	IFRS net assets 2019	IFRS net liabilities 2018 (unaudited)
	£000	£000
Principal activities	3,597	(530)
Total	3,597	(530)
Financed by		
Total equity	3,597	(530)

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Notes to the financial statements (continued)

21. Related party transactions

(a) The Company had the following related party transactions:

	2019		2018 (unaudited)	
	Expense incurred in year	Payable at year end	Expense incurred in year	Payable at year end
	£000	£000	£000	£000
Borrowings from parent	-	(390)	-	(2,350)
	-	(390)	-	(2,350)

In July 2019, the Company received advanced commission of £420,000 from its parent company, Aviva Insurance Limited ("AIL"). The loan is non-interest bearing and repayable in equal quarterly instalments until Dec 2021.

In January 2019, the Company redeemed £2,350,000 of convertible loan notes issued to AIL by way of conversion into preference shares of the Company.

The Company has been provided with a £2,000,000 floating-rate facility from AIL in April 2020, repayable in June 2021 and secured by way of fixed and floating charges on the Company's assets and intellectual property.

Key management compensation

The key management of the Company are considered to be the statutory directors of the Company. Note 3, Directors' remuneration, gives details of their compensation as directors of the Company.

(b) Immediate parent company

The Company's immediate parent company is Aviva Insurance Limited, registered in Scotland.

(c) Ultimate holding company

The parent undertaking of the largest and smallest group of undertakings for which group financial statements are drawn up, and of which the Company is a member, and the ultimate controlling party is Aviva plc, a publicly quoted company in the United Kingdom. Copies of its group financial statements are available from the registered office at St. Helen's, 1 Undershaft, London EC3P 3DQ, England.

Notes to the financial statements (continued)

22. Events after the statement of financial position date

Connected Insurance

The Company withdrew from the Insurance Intermediary market on 1 January 2020 and has subsequently sold the renewals rights to existing customers to a third party insurance broking company. The Company has informed the FCA.

Secured loan

The Company has required further funding in 2020 and has been provided with a £2,000,000 secured loan from AIL in April 2020, further details are available on Companies House.

Strategic review

The Board is undertaking a strategic review of the future direction of the Company to ensure it is well placed to achieve its strategic purpose of development and deployment of Connected Property Technologies direct to customers and in partnership with insurance partners.

The Company will require additional funding in 2021 to support its strategic direction and after making enquiries, the directors have a reasonable expectation that the Company has access to adequate resources from it's parent AIL to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements.

COVID-19

On 11 March 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic and Governments in affected areas have imposed a number of measures designed to contain the outbreak. The spread of COVID-19 has resulted in an economic downturn. If the pandemic is prolonged, or further diseases emerge that give rise to similar effects, the adverse impact on the global economy could impact the Company's ability to secure income and investment. As an insurance intermediary, the Company continues to maintain sufficient solvency levels and expects to continue to meet its capital requirements. Since the onset of the pandemic the Company has remained operational, with key activities such as cash payments and transaction processing being maintained, IT systems remaining operational, and customers able to contact the Company (and its partners) when they need us most.

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Notes to the financial statements (continued)

23. First time adoption of International Financial Reporting Standards

(a) **Reconciliation of equity as at 1 January 2018 (date of transition to IFRS)**

	Note	UK GAAP as previously stated	Restatement	UK GAAP restated (unaudited)	IFRS Reclassifications and remeasurements	IFRS as at 1 January 2018 (unaudited)
ASSETS		**£000**	**£000**	**£000**	**£000**	**£000**
Non-current assets						
Property, plant and equipment		55	-	55	-	55
Right-of-use assets	A	-	-	-	367	367
Intangible assets		783	-	783	-	783
Investment in subsidiary		-	-	-	-	-
		838	-	838	367	1,205
Current assets						
Inventory		85	-	85	-	85
Trade and other receivables		93	1	94	-	94
Cash and cash equivalents		3,384	-	3,384	-	3,384
		3,562	1	3,563	-	3,563
Total assets		4,400	1	4,401	367	4,768
LIABILITIES						
Non-current liabilities						
Lease liabilities	A	-	-	-	(270)	(270)
		-	-	-	(270)	(270)
Current liabilities						
Trade and other payables		(129)	1	(128)	-	(128)
Lease liabilities	A	-	-	-	(97)	(97)
		(129)	1	(128)	(97)	(225)
Total liabilities		(129)	1	(128)	(367)	(495)
Net assets		4,271	2	4,273	-	4,273
EQUITY						
Ordinary share capital		1,285	2	1,287	-	1,287
Other equity		5,000	-	5,000	-	5,000
Other reserves	E	-	55	55	-	55
Accumulated losses	E	(2,014)	(55)	(2,069)	-	(2,069)
Total equity		4,271	2	4,273	-	4,273

Notes to the financial statements (continued)

23. First time adoption of International Financial Reporting Standards (continued)

(b) Reconciliation of equity as at 31 December 2018

	Note	UK GAAP as previously stated (unaudited)	Re-statements	UK GAAP restated (unaudited)	IFRS Reclassifications and remeasurements	IFRS as at 31 December 2018 (unaudited)
ASSETS		**£000**	**£000**	**£000**	**£000**	**£000**
Non-current assets						
Property, plant and equipment	D	55	(12)	43	-	43
Right-of-use assets	A	-	-	-	268	268
Intangible assets		783	-	783	-	783
Investment in subsidiary		-	-	-	-	-
Trade and other receivables	B	-	94	94	-	94
		838	82	920	268	1,188
Current assets						
Inventory		10	-	10	-	10
Trade and other receivables	B	1,176	27	1,203	-	1,203
Cash and cash equivalents	C	364	523	887	-	887
		1,550	550	2,100	-	2,100
Total assets		2,388	632	3,020	268	3,288
LIABILITIES						
Non-current liabilities						
Borrowings		(2,350)	-	(2,350)	-	(2,350)
Lease liabilities	A	-	-	-	(170)	(170)
		(2,350)	-	(2,350)	(170)	(2,520)
Current liabilities						
Trade and other payables	C	(674)	(526)	(1,200)	-	(1,200)
Lease liabilities	A	-	-	-	(98)	(98)
		(674)	(526)	(1,200)	(98)	(1,298)
Total liabilities		(3,024)	(526)	(3,550)	(268)	(3,818)
Net liabilities		(636)	106	(530)	-	(530)
EQUITY						
Ordinary share capital		1,285	2	1,287	-	1,287
Other equity		5,000	-	5,000	-	5,000
Other reserves	E	-	92	92	-	92
Accumulated losses	E	(6,921)	12	(6,909)	-	(6,909)
Total equity		(636)	106	(530)	-	(530)

23. First time adoption of International Financial Reporting Standards (continued)

(c) Notes to the reconciliations

A Following adoption of IFRS 16, the Company has recognised right of use assets and lease liabilities in respect of leases held, as explained in note 9.

B Rental deposits of £94,000 have been reclassified from current assets to non-current assets.

C The balance sheet has been updated to include cash received from policy holders of £523,000, with an equal and opposite balance due to insurers (no impact on profits or losses).

D The balance sheets have been updated for minor corrections to the capitalisation and amortisation of property and equipment.

E The balance sheet has been updated to include the Company's share option scheme, as described in note 24. This resulted in a reduction in 2018 retained earnings of £92,000 (2017: £55,000) with an equal and opposite increase in other reserves.

24. Employee share options

The Company offers selected employees the option to participate in the Company's Employee Share Option Scheme (ESOP) as a way of incentivising and retaining their skills within the Company. The ESOP comprises options over non-voting ordinary B shares which vest in equal annual instalments over the vesting period and are settled in equity. The options are not subject to any performance conditions other than continued employment at each vesting date.

(a) Summary of options granted

	2019		2018	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at 1 January	£0.428	15,487	£0.330	11,763
Granted during the year	£0.001	208,557	£0.440	13,918
Exercised during the year	£0.419	(4,264)	£0.330	(3,921)
Forfeited during the year	-	-	£0.330	(6,273)
As at 31 December	£0.023	219,780	£0.428	15,487

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

Grant date	Expiry date	Exercise price	Share options 31 December 2019	Share options 31 December 2018
4 August 2016	4 August 2020	£0.325	784	1,569
30 June 2018	30 June 2022	£0.440	10,439	13,918
3 June 2019	3 June 2022	£0.001	208,557	-
			219,780	15,487

The weighted average remaining contractual life of options outstanding is 2.0 years (2018: 3.3 years).

(b) Fair value of options granted

The Company's shares and options have no readily available market value. The fair value of the options granted on 30 June 2018 and 3 June 2019 have been determined with reference to a discounted cash flow model using 10-year cash flow projections and a terminal value. A risk-adjusted discount rate of 20% was used. The fair value of options granted on 4 August 2016 was determined based on the price of an arm's length share issuance to third party investors executed close to the grant date.

Total expenses arising from the ESOP recognised during the period as part of employee benefit expense are disclosed in note 2 (Equity compensation plans).