

**Metaforic Limited**

Annual report and financial statements

Registered number SC300538

31 January 2014

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## Directors' report

The directors present their directors' report and financial statements for the year ended 31 January 2014.

### Principal activities and business review

During the year Metaforic was a privately held, Venture Capital-backed company shipping our second-generation software protection product. We market this software product to software creators in a variety of markets, ranging from device manufacturers to software publishers, financial institutions and games companies. We estimate the total annual market for this type of technology will be worth in excess of \$1bn per annum. The company has over 100 person-years invested and six patents granted and pending. As a result we are confident that we have important technology advantages over existing, or future, competitors.

Metaforic's core technology automatically embeds a protection system into software programs at build time, enabling those programs to constantly check themselves for integrity as they run, with no reliance on outside services or constant updates. Once a piece of software has been "hardened" with Metaforic's protection system it becomes very difficult for hackers to make modifications.

As an early-stage company, we spend more cash than we generate, so that we can build and improve the product, establish initial marketing outreach, and generate initial sales for relationships that should last many years. Consequently, the principal risk we face concerns balancing those expenditures with incoming revenue and new investment, and to date our investors have ensured that we have enough operating capital to continue expanding the business. Winning well known customers is a strong endorsement of the product and when combined with the long term nature of the contracts, provides a stable revenue platform on which to build the business. During the second half of this accounting period the company had been actively seeking to be acquired by a larger company with appropriate business synergy. This was intended to provide a long term solution for operating capital requirements and to support further investment in product and business development. On 5 April 2014, the company was acquired by INSIDE Secure, a company registered in France.

### Directors

The directors who held office during the year and to the date of approval of this report were as follows:

CB Anderson (resigned 5 April 2014)  
FS Hallsworth (resigned 5 April 2014)  
WA Krepick (resigned 5 April 2014)  
AS McLennan  
ASW Paterson (resigned 5 April 2014)  
RV Detourniere (appointed 5 April 2014)  
AP Bear (appointed 5 April 2014)  
NW Stewart (resigned 5 April 2014)  
D Stickel (resigned 5 April 2014)

### Political and charitable contributions

Neither the Company nor any of its subsidiaries made any political or charitable donations or incurred any political expenditure during the year.

### Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

## **Directors' report** *(continued)*

### **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.

By order of the board

A handwritten signature in black ink, appearing to read 'ABear', with a stylized flourish at the end.

**Andrew Bear**  
*Director*

146 West Regent Street  
Glasgow  
G2 2RQ

27 October 2014

## **Statement of directors' responsibilities in respect of the Annual Report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

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 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.



KPMG LLP  
191 West George Street  
Glasgow  
G2 2LJ  
United Kingdom

## **Independent auditor's report to the members of Metaforic Limited**

We have audited the financial statements of Metaforic Limited for the year ended 31 January 2014 set out on pages 5 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 January 2014 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

**Philip Charles (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*

30 October 2014

**Consolidated Profit and Loss Account**  
*for the year ended 31 January 2014*

	<i>Note</i>	<b>2014</b> <b>£000</b>	2013 £000
<b>Turnover</b>	2	<b>439</b>	938
Cost of sales		(233)	(337)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>206</b>	601
Administrative expenses	3	(2,058)	(3,270)
Other operating income	6	133	124
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>	3	<b>(1,719)</b>	(2,545)
Tax on loss on ordinary activities	7	-	-
		<hr/>	<hr/>
<b>Loss for the financial year</b>		<b>(1,719)</b>	(2,545)
		<hr/> <hr/>	<hr/> <hr/>

**Consolidated Balance Sheet**  
*at 31 January 2014*

	<i>Note</i>	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
<b>Fixed assets</b>			
Tangible assets	8	22	40
<b>Current assets</b>			
Debtors	10	164	212
Cash at bank and in hand		75	307
<b>Creditors: amounts falling due within one year</b>	11	239 (1,149)	519 (850)
<b>Net current liabilities</b>		(910)	(331)
<b>Net liabilities</b>		(888)	(291)
<b>Capital and reserves</b>			
Called up share capital	12	469	324
Share premium account	13	9,825	8,801
Profit and loss account	13	(11,182)	(9,416)
<b>Equity shareholder's deficit</b>		(888)	(291)

These financial statements were approved by the board of directors on 27 October 2014 and were signed on its behalf by:



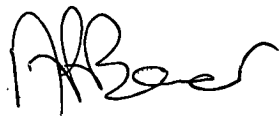
**Andrew Bear**  
*Director*



**Company Balance Sheet**  
*at 31 January 2014*

	<i>Note</i>	<b>2014</b> <b>£000</b>	2013 £000
<b>Fixed assets</b>			
Tangible assets	8	16	33
<b>Current assets</b>			
Debtors	10	268	115
Cash at bank and in hand		32	9
<b>Creditors: amounts falling due within one year</b>	11	300 (1,248)	124 (771)
<b>Net current liabilities</b>		(948)	(647)
<b>Net liabilities</b>		(932)	(614)
<b>Capital and reserves</b>			
Called up share capital	12	469	324
Share premium account	13	9,825	8,801
Profit and loss account	13	(11,226)	(9,739)
<b>Equity shareholder's deficit</b>		(932)	(614)

These financial statements were approved by the board of directors on 27 October 2014 and were signed on its behalf by:



**Andrew Bear**  
*Director*

Company registered number: Registered number SC300538

**Consolidated Statement of Total Recognised Gains and Losses**  
*for the year ended 31 January 2014*

	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
<b>Loss for the financial year</b>	<b>(1,719)</b>	<b>(2,545)</b>
Foreign currency retranslation	(47)	(26)
<b>Total recognised gains and losses relating to the financial year</b>	<b>(1,766)</b>	<b>(2,571)</b>

**Reconciliations of Movements in Shareholder's Deficit**  
*for the year ended 31 January 2014*

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Loss for the financial year</b>	<b>(1,719)</b>	<b>(2,545)</b>	<b>(1,487)</b>	<b>(2,672)</b>
Share capital issued	1,169	1,963	1,169	1,963
Foreign exchange differences	(47)	(26)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net addition to shareholder's deficit</b>	<b>(597)</b>	<b>(608)</b>	<b>(318)</b>	<b>(709)</b>
	<hr/>	<hr/>	<hr/>	<hr/>
Opening shareholder's deficit	(291)	317	(614)	95
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Closing shareholder's deficit</b>	<b>(888)</b>	<b>(291)</b>	<b>(932)</b>	<b>(614)</b>
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

#### ***Basis of preparation***

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

#### ***Going concern***

The financial statements have been prepared on the going concern basis notwithstanding the net current liabilities of £910,000 and net liabilities of £888,000 which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by group companies. The company's ultimate parent undertaking, INSIDE Secure, has indicated that for at least twelve months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company to pay its liabilities as they fall due and in particular will not seek repayment of the amounts currently made available. The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any 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.

Based on the undertakings from INSIDE Secure, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

#### ***Cash flow***

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

#### ***Strategic report***

The Company has taken advantage of the exemptions contained within section 414(b) of the Companies Act 2006 from preparing a strategic report, as the Company is considered to be small under the small companies regime.

#### ***Basis of consolidation***

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

#### ***Investments***

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less any provision for impairment.

#### ***Tangible fixed assets and depreciation***

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery	-	3 to 4 years
Fixtures and fittings	-	5 years
Leasehold improvements	-	5 years

#### ***Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Gains and losses arising on these translations are taken to reserves.

## Notes (continued)

### 1 Accounting policies (continued)

#### Government grants

Revenue based government grants are credited to the profit and loss account over the period to which they relate.

#### Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. A net deferred tax asset is recognised to the extent that directors consider it is more likely than not that future relevant profits are expected to arise to allow the net asset to be recovered.

#### Revenue

Revenue is measured at the fair value of the consideration received or receivable net of trade discounts, volume rebates and excluding value added tax. Revenue comprises royalty income, license fees and other revenue earned during the year, excluding sales taxes.

*Royalty income:* Revenue relating to royalties is recognised on an accruals basis in accordance with the provisions of relevant agreements.

*License fees:* The Group sells licenses for their software to customers for a set fee. This is recognised evenly over the term of the licence as this is the period over which the group satisfies its obligations under the sales contracts. Licence fees in respect of software where a perpetual licence is granted and where the group retains no further obligation in respect of this software is recognised at the point at which the perpetual licence is granted.

*Other revenue:* Other revenue is recognised in full once the significant risks and rewards of ownership have been transferred to the customer, which is generally when the software master has been delivered to the customer.

#### Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

#### Share based payments

The company operates a share option programme allowing eligible employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in liabilities. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options.

#### Leasing

Rentals paid under operating leases are charged to income on a straight line basis over the period of the lease.

### 2 Turnover

Turnover by destination can be analysed as follows:

	2014 £000	2013 £000
UK	188	222
Europe	56	66
Rest of World	195	650
	<hr/>	<hr/>
	439	938
	<hr/>	<hr/>

## Notes (continued)

### 3 Loss on ordinary activities before taxation

	2014 £000	2013 £000
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Depreciation and other amounts written off tangible fixed assets	24	37
Hire of other assets - operating leases	69	107
	<hr/>	<hr/>
<i>Auditor's remuneration:</i>		
	2014 £000	2013 £000
Audit of these financial statements	18	15
Amounts receivable by auditors and their associates in respect of:		
Other services relating to taxation	8	7
Other assurance services	5	-
	<hr/>	<hr/>

The majority of the group's administrative expenses incurred relates to research and development activity.

### 4 Remuneration of directors

	2014 £000	2013 £000
Directors' emoluments	337	535
	<hr/>	<hr/>

The aggregate of emoluments of the highest paid director were £141,711 (2013: £200,244).

### 5 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was 19 (2013: 31).

The aggregate payroll costs of these persons were as follows:

	2014 £000	2013 £000
Wages and salaries	1,341	1,998
Social security costs	175	268
	<hr/>	<hr/>
	1,516	2,266
	<hr/>	<hr/>

### 6 Other operating income

	2014 £000	2013 £000
Grant income	133	124
	<hr/>	<hr/>

## Notes (continued)

### 7 Taxation

#### Analysis of charge in period

	2014 £000	2013 £000
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
Total current tax	-	-
<i>Deferred tax (see note 14)</i>		
Origination/reversal of timing differences	-	-
Adjustment in respect of previous years	-	-
Total deferred tax	-	-
Tax on loss on ordinary activities	-	-

#### Factors affecting the tax charge for the current period

The current tax credit for the period is lower (2013: lower) than the standard rate of corporation tax applicable to small companies in the UK of 20%, (2013: 20%). The differences are explained below.

	2014 £000	2013 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(1,719)	(2,545)
Current tax at 20% (2013: 20%)	(344)	(509)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	5	17
Tax losses not recognised	339	492
Total current tax credit (see above)	-	-

## Notes (continued)

### 8 Tangible fixed assets

Group	Plant and machinery £000	Fixtures and fittings £000	Leasehold improvements £000	Total £000
<b>Cost</b>				
At beginning of year	100	8	26	134
Additions	6	-	-	6
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	106	8	26	140
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At beginning of year	83	3	8	94
Charge for year	16	2	6	24
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	99	5	14	118
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 January 2014	7	3	12	22
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 2013	17	5	18	40
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Company</b>				
<b>Cost</b>				
At beginning of year	88	8	26	122
Additions	1	-	-	1
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	89	8	26	123
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At beginning of year	78	3	8	89
Charge for year	11	2	5	18
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	89	5	13	107
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 January 2014	-	3	13	16
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 2013	10	5	18	33
	<hr/>	<hr/>	<hr/>	<hr/>



## Notes (continued)

### 9 Fixed asset investments

During a previous year, the directors reviewed the carrying value of the company's shares in group undertakings. As a result of this, the decision was made to continue to make full provision of £543,000 against investments in subsidiary undertakings: this provision remains.

	Country of incorporation	Principal activity	Class and percentage of shares held Company
<i>Subsidiary undertakings</i>			
Metaforic Inc	United States of America	Provision of security software	100%
Metaforic KK	Japan	Provision of security software	100%

### 10 Debtors

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
<i>Amounts falling due within one year</i>				
Trade debtors	61	119	61	87
Other debtors	68	32	45	2
Prepayments and accrued income	35	61	20	26
Amounts due by subsidiary undertakings	-	-	142	-
	<u>164</u>	<u>212</u>	<u>268</u>	<u>115</u>

### 11 Creditors: amounts falling due within one year

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Trade creditors	103	37	103	37
Taxation and social security	145	223	97	163
Accruals and deferred income	516	590	361	398
Amounts due to group undertakings	-	-	302	173
Amounts due to shareholders	385	-	385	-
	<u>1,149</u>	<u>850</u>	<u>1,248</u>	<u>771</u>

## Notes (continued)

### 12 Share capital (continued)

Group and Company	2014 £000	2013 £000
<i>Allotted, called up and fully paid</i>		
2,636,749 (2013: 2,636,749) Ordinary shares of £0.01 each	26	26
9,489,782 (2013: 9,489,782) A Ordinary shares of £0.01 each	95	95
8,285,462 (2013: 8,285,462) B Ordinary shares of £0.01 each	83	83
13,461,987 (2013: 11,957,186) C Ordinary shares of £0.01 each	135	120
12,950,295 (2013: nil) D Ordinary shares of £0.01 each	130	-
1,402,089 (2013: 1,661,734) A, B, C and D Growth shares of £0.0001 each	-	-
259,645 (2013: nil) Deferred shares of £0.0001 each	-	-
	<u>469</u>	<u>324</u>

During the year, the company issued 1,504,801 ordinary class C shares and 12,950,295 ordinary class D shares as part of its funding requirement from equity shareholders.

The rights attached to each share vary by class.

In the event of liquidation, dissolution or winding up or other return of capital by the company D ordinary shareholders are paid first, followed by C Ordinary shareholders followed by the B Ordinary shareholders followed by the A Ordinary shareholders. The balance of any proceeds remaining is distributed among shareholders on a pro rata basis to the number of shares held.

Voting rights amounts to one vote per share.

### 13 Share premium and reserves

Group	Share premium account £000	Profit and loss account £000
At beginning of year	8,801	(9,416)
Loss for the financial year	-	(1,719)
Exchange adjustments	-	(47)
On additional shares issued	1,024	-
<b>At end of year</b>	<u><b>9,825</b></u>	<u><b>11,182</b></u>

Company	Share premium account £000	Profit and loss account £000
At beginning of year	8,801	(9,739)
Loss for the financial year	-	(1,487)
On additional shares issued	1,024	-
<b>At end of year</b>	<u><b>9,825</b></u>	<u><b>11,226</b></u>

## Notes (continued)

### 14 Deferred tax

#### Group and Company

Given uncertainty over the quantum and timing of sufficient relevant profits against which tax losses can be utilised, the directors do not consider it appropriate to recognise an asset in relation to accumulated tax losses at the present time.

The unrecognised deferred tax asset as at 31 January 2014 amounts to £535,000 (2013: £736,000).

### 15 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2014 Buildings £000	2013 Buildings £000
<b>Group</b>		
Operating leases which expire:		
Within one year	10	145
In the second to fifth years inclusive	30	30
	<hr/>	<hr/>
	40	175
	<hr/>	<hr/>
<b>Company</b>		
Operating leases which expire:		
Within one year	-	-
In the second to fifth years inclusive	30	30
	<hr/>	<hr/>
	30	30
	<hr/>	<hr/>

### 16 Related party disclosures

The Company has taken advantage of the exemptions contained within FRS 8: Related Party Transactions not to disclose transactions with companies which are wholly owned subsidiaries.

### 17 Government grants

In 2008, the company was conditionally awarded Regional Selective Assistance of £200,000 to be paid in four tranches of £50,000 dependent on job creation targets. Up to 31 January 2014 all four tranches of £50,000 were received.

The company received various marketing and other grants totalling £90,172 (2013: £73,845).

### 18 Post balance sheet events

On 5 April 2014, INSIDE Secure, a company registered in France indirectly acquired the entire share capital of Metaforic Limited.

Since this date the Company's immediate parent undertaking has been Vault-IC UK Limited. The Company's ultimate parent undertaking is now INSIDE Secure, a company incorporated in France.