

Zynstra Limited

Unaudited Financial Statements

Period Ended

28 February 2019

Company Number 07864369

SATURDAY



A8JB1FKQ

A09

30/11/2019

#172

COMPANIES HOUSE

Zynstra Limited

Chartered Accountants' Report to the Board of Directors on the Unaudited Financial Statements of Zynstra Limited

In order to assist you to fulfil your duties under the Companies Act 2006, we have prepared for your approval the financial statements of Zynstra Limited for the year ended 28 February 2019 which comprise the statement of financial position, statement of changes in equity and the related notes from the company's accounting records and from information and explanations you have given us.

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance/>

It is your duty to ensure that Zynstra Limited has kept adequate accounting records and to prepare statutory accounts that give a true and fair view of the assets, liabilities, financial position and profit of Zynstra Limited. You consider that Zynstra Limited is exempt from the statutory audit requirement for the period.

We have not been instructed to carry out an audit or a review of the financial statements of Zynstra Limited. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the statutory accounts.

Use of our report

This report is made solely to the board of directors of Zynstra Limited, as a body, in accordance with the terms of our engagement letter dated 31 January 2019. Our work has been undertaken solely to prepare for your approval the accounts of Zynstra Limited and state those matters that we have agreed to state to the board of directors of Zynstra Limited, as a body, in this report in accordance with ICAEW Technical Release TECH07/16AAF. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Zynstra Limited and its board of directors as a body for our work or for this report.


BDO LLP
Bristol
United Kingdom

Date: *26 November 2019*

Zynstra Limited
Registered number: 07864369

Statement of Financial Position
As at 28 February 2019

	Note	3 months ended 28 February 2019 £	3 months ended 28 February 2019 £	Year ended 30 November 2018 £	Year ended 30 November 2018 £
Fixed assets					
Tangible assets	6		89,631		96,650
			<u>89,631</u>		<u>96,650</u>
Current assets					
Debtors: amounts falling due within one year	8	3,450,566		4,089,145	
Cash at bank and in hand		3,006,458		1,219,265	
		<u>6,457,024</u>		<u>5,308,410</u>	
Creditors: amounts falling due within one year	9	(856,144)		(755,252)	
Net current assets			<u>5,600,880</u>		<u>4,553,158</u>
Total assets less current liabilities			<u>5,690,511</u>		<u>4,649,808</u>
Net assets			<u><u>5,690,511</u></u>		<u><u>4,649,808</u></u>
Capital and reserves					
Called up share capital	10		8,514		8,169
Share premium account	12		20,012,625		20,009,520
Share option reserve	12		521,086		566,315
Profit and loss account	12		(14,851,714)		(15,934,196)
			<u><u>5,690,511</u></u>		<u><u>4,649,808</u></u>

Zynstra Limited
Registered number:07864369

Statement of Financial Position (continued)
As at 28 February 2019

The directors consider that the company is entitled to exemption from audit under section 477 of the Companies Act 2006 and members have not required the company to obtain an audit for the period in question in accordance with section 476 of Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



.....
Nicholas East
Director

Date: 26th November 2019

The notes on pages 6 to 16 form part of these financial statements.

Zynstra Limited

Statement of Changes in Equity For the Period Ended 28 February 2019

	Called up share capital	Share premium account	Share Option Reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 December 2018	8,169	20,009,520	566,315	(15,934,196)	4,649,808
Comprehensive Income for the period					
Profit for the period	-	-	-	989,817	989,817
Total comprehensive income for the period	-	-	-	989,817	989,817
Shares issued during the period	345	3,105	-	-	3,450
Reserves transfer	-	-	(92,665)	92,665	-
Share option scheme charge	-	-	47,436	-	47,436
At 28 February 2019	8,514	20,012,625	521,086	(14,851,714)	5,690,511

The notes on pages 6 to 16 form part of these financial statements.

Zynstra Limited

Statement of Changes in Equity For the Period Ended 30 November 2018

	Called up share capital	Share premium account	Share Option Reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 December 2017	8,169	19,294,499	325,729	119,779	(14,483,395)	5,264,781
Comprehensive Income for the year						
Loss for the year	-	-	-	-	(1,570,580)	(1,570,580)
Total comprehensive income for the year	-	-	-	-	(1,570,580)	(1,570,580)
Shares issued during the year	-	715,021	-	-	-	715,021
Transfer to/from profit and loss account	-	-	-	(119,779)	119,779	-
Share option scheme charge	-	-	240,586	-	-	240,586
At 30 November 2018	8,169	20,009,520	566,315	-	(15,934,196)	4,649,808

The notes on pages 6 to 16 form part of these financial statements.

Zynstra Limited

Notes to the Financial Statements For the Period Ended 28 February 2019

1. General Information

Zynstra Limited is a private company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is University of Bath Innovation Centre, Carpenter House, Broad Quay, Bath, BA1 1UD and its principal activity is software development.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The company is exempt from the requirement to prepare consolidated accounts on the basis that it qualifies as a small group.

The following principal accounting policies have been applied:

2.2 Going concern

The accounts disclose that the company made a profit for the 3 month period ended 28 February 2019 before tax of £766,228 (Year ended 30 November 2018: £2,449,682 loss) as a result of a new revenue streams. The company is continuing to invest in the development of its products and its investors are supportive. Based on this and the improved profitability of the business, the directors are satisfied that the company has access to adequate funds for a period of 12 months from the date of approval of these financial statements to meet its day to day working capital requirements.

2.3 Research and development

All research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

2.4 Turnover

Turnover comprises revenue recognised by the company in respect of the provision of hardware and software services, perpetual licence fees, support and maintenance services and subscription fees exclusive of Value Added Tax. Perpetual licence fees are recognised on delivery of the licences to the customer and support and maintenance income and subscriptions are recognised over the term of the agreement. Revenue from other contracts are recognised in line with the fair value of the delivery of each aspect of the service.

Other operating income includes marketing development funds received as a contribution that the company is free to use at its own discretion. Where the funds are not tied to actual expenditure, they are presented gross as other income.

2.5 Tangible fixed assets

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

Zynstra Limited

Notes to the Financial Statements For the Period Ended 28 February 2019

2. Accounting policies (continued)

2.5 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method.

Depreciation is provided on the following basis:

Office equipment	- 33.3% straight line
Computer equipment	- 33.3% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.6 Valuation of Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Zynstra Limited

Notes to the Financial Statements For the Period Ended 28 February 2019

2. Accounting policies (continued)

2.9 Financial Instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income'.

Zynstra Limited

Notes to the Financial Statements For the Period Ended 28 February 2019

2. Accounting policies (continued)

2.12 Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the statement of comprehensive income is charged with fair value of goods and services received.

2.14 Operating leases: the company as lessee

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

2.15 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

2.16 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

Zynstra Limited

Notes to the Financial Statements For the Period Ended 28 February 2019

2. Accounting policies (continued)

2.17 Taxation

Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the members have made the following judgements:

- Determine whether leases entered into by the company either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis;
- Determine whether there are indicators of impairment in the company's tangible fixed assets. Factors taken into consideration include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected performance of that unit;
- The financial statements have been prepared on the going concern basis. As disclosed in note 2.2 there are a number of assumptions and judgements made by management in this assessment;
- Share options are valued at grant using the Black-Scholes valuation model. There is a degree of estimation and judgement made in valuing share based payments;
- Determine whether there are any indicators of impairment of debtors and to ensure that adequate provisions are made against recoverability of all amounts due.
- Estimation of the tax recoverable in respect of R&D tax credits in respect of claims not yet submitted.

4. Employees

The average monthly number of employees, including directors, during the period was 41 (2018 - 42).

Zynstra Limited

Notes to the Financial Statements For the Period Ended 28 February 2019

5. Taxation

	3 months ended 28 February 2019 £	Year ended 30 November 2018 £
Corporation tax		
Current tax on profits for the year	(100,000)	(352,461)
Adjustments in respect of previous periods	(123,589)	(526,641)
	<u>(223,589)</u>	<u>(879,102)</u>
Total current tax	<u>(223,589)</u>	<u>(879,102)</u>
Deferred tax		
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on loss on ordinary activities	<u>(223,589)</u>	<u>(879,102)</u>

Factors affecting tax charge for the period/year

The company has a nil tax charge for the period. The tax credits in the current and prior year relates to R&D tax claims.

Factors that may affect future tax charges

The company has an unrecognised deferred tax asset of £1,599,458 (2018: £2,022,143) which relates to tax losses carried forward of £9,482,123 (2018: £11,984,091). The deferred tax asset has not been recognised because its recoverability is uncertain.

Zynstra Limited

Notes to the Financial Statements For the Period Ended 28 February 2019

6. Tangible fixed assets

	Office equipment £	Computer equipment £	Total £
Cost			
At 1 December 2018	7,613	722,275	729,888
Additions	-	13,007	13,007
At 28 February 2019	7,613	735,282	742,895
Depreciation			
At 1 December 2018	4,328	628,910	633,238
Charge for the period on owned assets	432	19,594	20,026
At 28 February 2019	4,760	648,504	653,264
Net book value			
At 28 February 2019	2,853	86,778	89,631
At 30 November 2018	3,285	93,365	96,650

Zynstra Limited

Notes to the Financial Statements For the Period Ended 28 February 2019

7. Fixed asset investments

The subsidiary undertakings of the company are as follows:

Direct subsidiary undertakings:

Name	Country of Incorporation	Holding	Principal activity
Zynstra Holdings Inc.	USA	100%	Holding company

Indirect subsidiary undertakings:

Name	Country of Incorporation	Holding	Principal activity
Zynstra Inc.	USA	100%	Sales of software services

The registered address of the subsidiary undertakings is 4500, 140th Avenue N., Suite 101, Clearwater, FL 33762, USA.

8. Debtors

	2019 £	2018 £
Trade debtors	274,928	329,217
Amounts owed by group undertakings	2,456,862	2,760,037
Other debtors	52,107	14,071
Prepayments and accrued income	91,076	107,175
Tax recoverable	575,593	878,645
	3,450,566	4,089,145

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

Zynstra Limited

Notes to the Financial Statements For the Period Ended 28 February 2019

9. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	181,372	87,990
Corporation tax	397	-
Other taxation and social security	88,810	86,415
Other creditors	18,346	9,573
Accruals and deferred income	567,219	571,274
	<u>856,144</u>	<u>755,252</u>

10. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
847,472 (2018 - 812,972) ordinary shares of £0.01000 each	8,475	8,130
333,334 (2018 - 333,334) A ordinary shares of £0.00010 each	33	33
645,542 (2018 - 645,542) B ordinary shares of £0.00001 each	6	6
	<u>8,514</u>	<u>8,169</u>

All shares rank pari passu.

34,505 share options were exercised in the period resulting in the issue of 34,505 ordinary shares for a total consideration of £3,450.

Zynstra Limited

Notes to the Financial Statements For the Period Ended 28 February 2019

11. Share-based payments

The company operates an equity-settled share option scheme for employees. The share based payment charge for the 3 month period ended was £47,436 (Year ended 30 November 2018: £240,586).

As permitted under the transitional provisions of FRS 102 the company has not applied the accounting requirements of FRS 102 to options that were granted before the date of transition to FRS 102. The Black-scholes option pricing model was used to value the share option scheme awards.

161,887 share options were issued in August 2016. A further 107,271 share options were issued in March 2018 and an additional 12,409 were issued in June 2018. The exercise of the share options is conditional upon the option holder making good any tax liability in relation to the option, or entering into arrangements acceptable to Zynstra Limited in respect of such tax liability, in accordance with rules of the Scheme.

1/48th of the shares under option vest monthly after the date of the grant (with rounding up of whole numbers of shares where necessary) so that the option shall be fully vested on the fourth anniversary from the date of the grant.

	Weighted average exercise price (pence) 2019	Number 2019	Weighted average exercise price (pence) 2018	Number 2018
Outstanding at the beginning of the year	10	161,887	10	161,887
Outstanding at the beginning of the year	10	104,971	10	104,971
Outstanding at the beginning of the year	439	12,409	439	12,409
Outstanding at the beginning of the year	300	2,300	300	2,300
Exercised during the year	10	(34,505)		-
Outstanding at the end of the year		247,062		281,567

The key assumptions used to value the share options under the Black-scholes model are as follows:

	28 February 2019	30 November 2018
Expected volatility	45.2%	45.2%
Expected dividend growth rate	0%	0%
Risk-free interest rate	1.21%	1.21%

Zynstra Limited

Notes to the Financial Statements For the Period Ended 28 February 2019

12. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Share option reserve

The share option reserve represents the fair value at the date of grant of share options issued to employees. On exercise of these options the distributable amount is transferred to the profit and loss reserve.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

13. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £13,926 in the 3 month period ended 28 February 2019 (Year ended 30 November 2018: £48,070). Contributions totalling £16,084 (Year ended 30 November 2018 - £7,520) were payable to the fund at the 3 month period ended 28 February 2019 reporting date and are included in creditors.

14. Controlling party

In the opinion of the directors there is no controlling party.