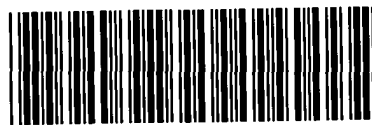


Company Registration No. 08430008 (England and Wales)

WHAT3WORDS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

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WHAT3WORDS LIMITED

COMPANY INFORMATION

Directors	C Sheldrick J Waley-Cohen M Sanderson C Smart J Lazar A Guefor M Alsagar	(Appointed 19 January 2017)
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Company number	08430008
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Registered office	Dewmead House Hinxworth Baldock Herts SG7 5HD
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Auditor	KPMG LLP 15 Canada Square London E14 5GL
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WHAT3WORDS LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditor's report to the members of what3words Limited	5 - 6
Profit and loss account	7
Statement of comprehensive income	8
Balance sheet	9
Statement of changes in equity	10
Statement of cash flows	11
Notes to the financial statements	12 - 26

WHAT3WORDS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JULY 2017

The directors present their strategic report accompanying the financial statements for the year ended 31 July 2017.

The company's principal activities during the year continued to be the research, development and commercialisation of the what3words universal addressing / location referencing system.

Fair review of the business

The key financial and other performance indicators during the year were as follows:

The company's loss for the year was £4,513,931 (2016: £2,188,003), due only to increased operating expenses from growth.

The company has net assets worth £7,847,307 (2016: £5,802,005), with a cash balance at year end of £6,839,754 (2016: £5,552,955), assets increased due to investment in intangibles, R&D tax credit and VAT debtors, pre-payments and cash from investment.

The company's quick ratio ((cash + accounts receivable)/current liabilities) as at 31 July 2017 was 14.4 (2016: 37.4), lower due to an increase in trade creditors and a larger operating lease commitment.

Shareholders' funds increased by 35.3% due to new shares issued as part of the company's Series B (known as "A2") funding round.

During the year, the company recorded its first revenue from the sale of its core product (an enterprise software system for the bi-directional conversion of GPS coordinates to three word addresses) in the form of annual licence fees. The company also deepened its strategy, initiating commercialisation activity in local markets around the world, whilst continuing to pursue the approach of working with significant global businesses.

Full time employees increased from 12 at 31 July 2016 to 36 at 31 July 2017. This was due to the building out of key teams across the business.

Going concern

After reviewing the company's forecasts and projections, and in the context of additional funds raised post balance sheet reporting date, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

WHAT3WORDS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2017

Principle risks and uncertainties

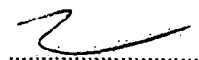
The principal risks and uncertainties facing the company are broadly grouped as commercial and behavioural change risk.

Commercial risk – the scale-up and success of the business is dependent on the development, conversion and retention of a pipeline of commercial contracts to take the business cash flow positive.

Behaviour change risk – the company has created a new addressing format, with the aim of becoming a universal standard for location referencing. A key aspect of this is converting and retaining a high volume of new consumers, and so driving network effects and consumer behaviour change.

It is possible that there will be future exposure to foreign exchange risk, although currently overseas foreign currency expenses are not at a sufficient level to be material.

On behalf of the board



J Waley-Cohen

Director

19/10/17

WHAT3WORDS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JULY 2017

The directors present their annual report and financial statements for the year ended 31 July 2017.

Principal activity

The principal activity of the company is the development and commercialisation of the company's 3 word address system.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

C Sheldrick
J Waley-Cohen
M Sanderson
C Smart
J Lazar
A Guefor
M Alsagar

(Appointed 19 January 2017)

Proposed dividends

The directors do not recommend the payment of a dividend for the financial year ending 31 July 2017 (2016: £nil).

Political donations

During the year the Company has not made any political or charitable donations or contributions (2016 – £nil).

Financial instruments

The company is not exposed to any significant risks in relation to financial instruments.

Research and development

The company continues to invest heavily in research and development activities, including the development of new B2B and B2C product concepts, map compression technology, voice recognition addressing systems, optical character recognition systems, and the preparation and research to launch products in new languages.

Future developments

The directors aim to maintain the management policies which have resulted in the company's growth and increased commercial traction in recent years. They consider that the next year will show a significant growth in sales from continuing operations, particularly from the sale of core products in Europe and the rest of the world.

Post reporting date events

On 1 September 2017 the company received EUR100,000 (£85,222) in prize money from INDEX Design to Improve Life award.

From 4 August 2017 to the reporting date, the company issued a further 1,512 Ordinary and A2 preference shares to investors, for a total of £3,521,520.

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

WHAT3WORDS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2017

Statement of directors' responsibilities

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

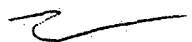
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

On behalf of the board



J Waley-Cohen

Director

19/10/17

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WHAT3WORDS LIMITED

Opinion

We have audited the financial statements of what3words Limited ("the company") for the year ended 31 July 2017 which comprise the profit and loss account, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF WHAT3WORDS LIMITED

Directors' responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error 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.

Auditor's responsibilities

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

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

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

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

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

1 November 2017
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WHAT3WORDS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JULY 2017

		2017	2016
	Notes	£	as restated £
Turnover	3	20,336	3,580
Administrative expenses		(5,024,141)	(2,300,388)
Other operating income		1,243	42,659
		<hr/>	<hr/>
Operating loss	4	(5,002,562)	(2,254,149)
Interest receivable and similar income	8	19,813	6,146
		<hr/>	<hr/>
Loss before taxation		(4,982,749)	(2,248,003)
Taxation	9	468,818	60,000
		<hr/>	<hr/>
Loss for the financial year		<u>(4,513,931)</u>	<u>(2,188,003)</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The restated 2016 balances have been detailed in notes 1.3 and 22.

The notes on pages 12 to 26 form an integral part of these financial statements.

WHAT3WORDS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2017

	2017	2016
	£	as restated £
Loss for the year	(4,513,931)	(2,188,003)
Other comprehensive income net of taxation	-	-
Total comprehensive income for the year	<u>(4,513,931)</u>	<u>(2,188,003)</u>

The notes on pages 12 to 26 form an integral part of these financial statements.

WHAT3WORDS LIMITED

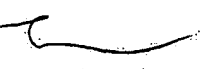
BALANCE SHEET

AS AT 31 JULY 2017

		2017		2016 as restated	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	10	654,007		246,867	
Tangible assets	11	56,949		11,554	
		<u>710,956</u>		<u>258,421</u>	
Current assets					
Debtors	13	829,624		142,797	
Cash at bank and in hand		6,839,754		5,552,955	
		<u>7,669,378</u>		<u>5,695,752</u>	
Creditors: amounts falling due within one year	14	(533,027)		(152,168)	
Net current assets		<u>7,136,351</u>		<u>5,543,584</u>	
Net assets		<u><u>7,847,307</u></u>		<u><u>5,802,005</u></u>	
Capital and reserves					
Called up share capital	16	239		210	
Share premium account		15,680,356		9,221,935	
Share based payment reserve	15	129,366		28,583	
Profit and loss account		(7,962,654)		(3,448,723)	
Shareholder funds		<u><u>7,847,307</u></u>		<u><u>5,802,005</u></u>	

The notes on pages 12 to 26 form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 19/10/17 and are signed on its behalf by:


J. Waley-Cohen
Director

Company Registration No. 08430008

WHAT3WORDS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2017

	Notes	Share capital £	Share premium account £	Share based payment reserve £	Profit and loss account £	Total £
As restated for the year ended 31 July 2016:						
Balance at 1 August 2015		147	1,799,144	-	(1,260,720)	538,571
Year ended 31 July 2016:						
Total comprehensive income for the year		-	-	-	(2,188,003)	(2,188,003)
Issue of ordinary share capital	16	14	2,009,737	-	-	2,009,751
Issue of preference share capital	16	49	5,413,054	-	-	5,413,103
Equity settled share based payment transactions	15	-	-	28,583	-	28,583
Balance at 31 July 2016		210	9,221,935	28,583	(3,448,723)	5,802,005
Year ended 31 July 2017:						
Total comprehensive income for the year		-	-	-	(4,513,931)	(4,513,931)
Issue of share capital	16	6	1,166,835	-	-	1,166,841
Issue of preference share capital	16	23	5,291,586	-	-	5,291,609
Equity settled share based payment transactions	15	-	-	100,783	-	100,783
Balance at 31 July 2017		239	15,680,356	129,366	(7,962,654)	7,847,307

The notes on pages 12 to 26 form an integral part of these financial statements

WHAT3WORDS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash absorbed by operations	20	(4,555,829)		(2,202,858)	
Income taxes (paid)/refunded		-		121,895	
Net cash outflow from operating activities		(4,555,829)		(2,080,963)	
Investing activities					
Purchase of intangible assets		(578,241)		(100,364)	
Purchase of tangible fixed assets		(58,824)		(12,276)	
Proceeds on disposal of tangible fixed assets		1,430		-	
Interest received	8	19,813		6,146	
Net cash used in investing activities		(615,822)		(106,494)	
Financing activities					
Proceeds from issue of shares		6,458,450		7,422,854	
Net cash generated from financing activities		6,458,450		7,422,854	
Net increase in cash and cash equivalents		1,286,799		5,235,397	
Cash and cash equivalents at beginning of year		5,552,955		317,558	
Cash and cash equivalents at end of year		6,839,754		5,552,955	

The notes on pages 12 to 26 form an integral part of these financial statements

WHAT3WORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2017

1 Accounting policies

Company information

what3words Limited is a private company limited by shares incorporated in England and Wales. The registered office is Dewmead House, Hinxworth, Baldock, Herts, SG7 5HD.

1.1 Accounting convention

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

These financial statements for the year ended 31 July 2017 are the first financial statements of what3words Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 August 2015. In the transition to FRS 102 from UK GAAP, the Company has made some measurement and recognition adjustments. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 21.

1.2 Change in accounting estimate

Amortisation on remaining trademarks arising from the trading element of the company has been changed from 20 years to 5 years to better reflect the useful economic life of the trademarks which the company possesses.

1.3 Prior period error

During the current year, the directors have reviewed certain expenses relating to patents and trademarks that were expensed in the prior period. This review was performed because management felt they were in a better position now to more accurately estimate if these expenses should be capitalised as they will generate future economic benefit for the company. As a result of this review, management has decided to capitalise certain patents and trademarks in the prior period which were previously expensed. As a result of this, the loss on ordinary activities before taxation and loss for the year ended 31 July 2016 have decreased by £96,687 and net assets as at 31 July 2016 have increased by £96,687.

1.4 Going concern

The company meets its day to day working capital requirements through the continued support of its investors. The directors have pledged their continued support to the company for the foreseeable future and on this basis the directors consider it appropriate to prepare these financial statements on a going concern basis. The directors believe that further investment from existing or new investors will be achievable to the level necessary to support the company for the foreseeable future.

1.5 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

WHAT3WORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2017

1 Accounting policies

(Continued)

Revenue from the issue of SDK licences is recognised when the first payment for the annual licence is received and is deemed to accrue evenly over the following 12 months.

Rental recharges are recognised on the date of receipt.

Other income consists of grant income and prize money received in the year and is recorded when the income is received.

1.6 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.7 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Patents and Trademarks	5-20% straight line
Development Costs	20% straight line

Intangible assets, other than those held at fair value, which are dealt with through profit and loss, are assessed for indicators of impairment at each reporting end date.

1.8 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Tangible fixed assets are stated at cost less depreciation. Cost represents all expenditure incurred in bringing the asset into a condition for its intended purpose. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Leasehold improvements	over the term of the lease
Fixtures, fittings & equipment	25% reducing balance
Computer equipment	33.33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.9 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

WHAT3WORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2017

1 Accounting policies

(Continued)

1.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.12 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

WHAT3WORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2017

1 Accounting policies

(Continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

WHAT3WORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2017

1 Accounting policies (Continued)

1.16 Leases

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.17 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2017 £	2016 £
Turnover		
SDK Licence sales	10,336	295
Custom map	10,000	1,300
Expense reimbursement	-	1,977
One-word sales	-	8
	<u>20,336</u>	<u>3,580</u>

Turnover analysed by geographical market

	2017 £	2016 £
UK	10,017	1,244
Rest of the world	10,319	2,336
	<u>20,336</u>	<u>3,580</u>

WHAT3WORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2017

4 Operating loss

	2017 £	2016 £
Operating loss for the year is stated after charging for non cash items:		
Exchange losses	1,045	-
Depreciation of owned tangible fixed assets	11,596	2,112
Loss on disposal of tangible fixed assets	403	-
Amortisation of intangible assets	53,455	51,459
Impairment of intangible assets	117,646	-
Share-based payments	100,783	28,583
Operating lease charges	126,389	66,515
	<u>411,317</u>	<u>148,669</u>

5 Auditor's remuneration

	2017 £	2016 £
Fees payable to the company's auditor:		
For audit services		
Audit of the financial statements of the company	<u>17,000</u>	<u>14,000</u>

6 Staff costs

The average monthly number of persons (including directors) employed by the company during the year was:

	2017 Number	2016 Number
Administration	23	8
Management	9	7
	<u>32</u>	<u>15</u>

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	1,985,820	868,744
Social security costs	189,695	93,994
	<u>2,175,515</u>	<u>962,738</u>

WHAT3WORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2017

7 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	242,407	168,559

The number of directors who exercised share options during the year was 2 (2016: nil).

During the year 58 share options were exercised by directors. The fair value of these exercised options as at 31 July 2017 were £0.58 (2016: £nil).

The remuneration disclosed above includes the following amounts paid to the highest paid director:

	2017 £	2016 £
Remuneration for qualifying services	117,852	80,820

8 Interest receivable and similar income

	2017 £	2016 £
Interest income		
Interest on bank deposits	19,813	6,146

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	19,813	6,146
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9 Taxation

	2017 £	2016 £
Current tax		
UK corporation tax on profits for the current year	(468,818)	(60,000)

WHAT3WORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2017

9 Taxation

(Continued)

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2017 £	2016 £
Loss before taxation	(4,982,749)	(2,248,003)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.67% (2016: 20.00%)	(980,107)	(449,601)
Tax effect of expenses that are not deductible in determining taxable profit	43,181	41,482
Unutilised tax losses carried forward	732,991	283,627
Research and development tax credit	(134,254)	60,808
Other permanent differences	10,895	3,684
Under/(over) provided in prior years	(141,524)	-
Taxation credit for the year	(468,818)	(60,000)

The company has estimated losses of £6,142,407 (2016: £2,415,963) available for carry forward against future profits.

A net deferred tax asset of £1,217,091 (2016: £480,882) has not been recognised as the asset is not expected to crystallise in the foreseeable future.

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

WHAT3WORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2017

10 Intangible fixed assets

	Patents and Trademarks £	Development Costs £	Total £
Cost			
At 1 August 2016	136,890	229,753	366,643
Additions - separately acquired	322,442	255,799	578,241
	<u>459,332</u>	<u>485,552</u>	<u>944,884</u>
At 31 July 2017			
Amortisation and impairment			
At 1 August 2016	7,669	112,107	119,776
Amortisation charged for the year	23,172	30,283	53,455
Impairment losses	-	117,646	117,646
	<u>30,841</u>	<u>260,036</u>	<u>290,877</u>
At 31 July 2017			
Carrying amount			
At 31 July 2017	428,491	225,516	654,007
	<u>129,221</u>	<u>117,646</u>	<u>246,867</u>
At 31 July 2016			

An impairment review was carried out on all classes of asset carried forward for periods prior to the previous financial period and an impairment loss has been provided on Web and App development assets capitalised prior to 31 July 2015 as it was determined that the recoverable amount of these capital items is lower than the value recognised within the accounts.

WHAT3WORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2017

11 Tangible fixed assets

	Leasehold improvements	Fixtures, fittings & equipment	Computer equipment	Total
	£	£	£	£
Cost				
At 1 August 2016	-	7,702	7,733	15,435
Additions	11,950	10,968	35,906	58,824
Disposals	-	-	(5,288)	(5,288)
	<u>11,950</u>	<u>18,670</u>	<u>38,351</u>	<u>68,971</u>
At 31 July 2017	11,950	18,670	38,351	68,971
Depreciation and impairment				
At 1 August 2016	-	357	3,524	3,881
Depreciation charged in the year	853	4,054	6,689	11,596
Eliminated in respect of disposals	-	-	(3,455)	(3,455)
	<u>853</u>	<u>4,411</u>	<u>6,758</u>	<u>12,022</u>
At 31 July 2017	853	4,411	6,758	12,022
Carrying amount				
At 31 July 2017	<u>11,097</u>	<u>14,259</u>	<u>31,593</u>	<u>56,949</u>
At 31 July 2016	<u>-</u>	<u>7,345</u>	<u>4,209</u>	<u>11,554</u>

12 Financial instruments

	2017 £	2016 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	<u>96,858</u>	<u>16,326</u>
Carrying amount of financial liabilities		
Measured at amortised cost	<u>437,396</u>	<u>113,576</u>

13 Debtors

	2017 £	2016 £
Amounts falling due within one year:		
Trade debtors	52,336	3,361
Corporation tax recoverable	528,818	60,000
Other debtors	144,491	62,633
Prepayments and accrued income	103,979	16,803
	<u>829,624</u>	<u>142,797</u>

The corporation tax debtor relates to tax credits receivable on research and development expenditure.

WHAT3WORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2017

14 Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	272,834	91,357
Other taxation and social security	95,631	38,592
Other creditors	18,773	6,494
Accruals and deferred income	145,789	15,725
	<u>533,027</u>	<u>152,168</u>

15 Share-based payment transactions

The number of employee share options and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2017 £	Number of share options 2017	Weighted average exercise price 2016 £	Number of share options 2016
Outstanding at 1 August 2016	2,329	20	-	-
Granted	2,329	144	2,329.02	32.00
Exercised	2,329	(42)	2,329.02	12.00
Expired	2,329	(23)	-	-
	<u>2,329</u>	<u>99</u>	<u>2,329.02</u>	<u>20.00</u>
Outstanding at 31 July 2017				
	<u>2,329</u>	<u>42</u>	<u>2,329.02</u>	<u>12.00</u>

The employee share options outstanding at 31 July 2017 had an exercise price of £0.01 and a remaining contractual life ranging from 1 - 3 years.

During the year, the company recognised total share-based payment expenses of £100,783 (2016: £28,583) which related to equity settled share based payment transactions.

WHAT3WORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2017

16 Share capital

	2017 £	2016 £
Ordinary share capital		
Issued and fully paid		
16,660 Ordinary shares of 1p each	167	161
	<u> </u>	<u> </u>
Preference share capital		
Issued and fully paid		
3,396 A1 Irredeemable preference shares of 1p each	34	34
3,796 A2 Irredeemable preference shares of 1p each	38	15
	<u> </u>	<u> </u>
	72	49
	<u> </u>	<u> </u>
Total called up share capital	239	210
	<u> </u>	<u> </u>

Reconciliation of movements during the year:

	Ordinary Number	A1 Irredeemable preference Number	A2 Irredeemable preference Number
At 1 August 2016	161	34	15
Issue of fully paid shares	6	-	23
	<u> </u>	<u> </u>	<u> </u>
At 31 July 2017	167	34	38
	<u> </u>	<u> </u>	<u> </u>

During the year the company issued 559 (2016: 1,441) Ordinary 1p shares, nil (2016: 3,396) A1 Irredeemable preference shares and 2,271 (2016: 1,525) A2 Irredeemable preference shares. All classes of share rank pari passu in all respects except for dividends or other distributions made pursuant to Article 7 (Liquidation event) of the Articles of Association.

17 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017 £	2016 £
Rent payables:		
Within one year	178,268	130,870
Between two and five years	126,166	85,300
In over five years	14,260	17,262
	<u> </u>	<u> </u>
	318,694	233,432
	<u> </u>	<u> </u>

During the year £126,389 (2016: £66,615) was recognised as an expense in the profit and loss accounts in respect of operating leases

WHAT3WORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2017

18 Events after the reporting date

On 1 September 2017 the company received EUR100,000 (£85,222) in prize money from INDEX Design to Improve Life award.

From 4 August 2017 to the reporting date, the company issued a further 1,512 Ordinary and A2 preference shares to investors, for a total of £3,521,520.

19 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2017 £	2016 £
Aggregate compensation	822,354	374,154

20 Cash generated from operations

	2017 £	2016 £
Loss for the year after tax	(4,513,931)	(2,188,003)
Adjustments for:		
Taxation credited	(468,818)	(60,000)
Investment income	(19,813)	(6,146)
Loss on disposal of tangible fixed assets	403	-
Amortisation and impairment of intangible assets	171,101	51,459
Depreciation and impairment of tangible fixed assets	11,596	2,112
Equity settled share based payment expense	100,783	28,583
Movements in working capital:		
Increase in debtors	(167,708)	(27,706)
Increase/(decrease) in creditors	330,558	(3,157)
Cash absorbed by operations	(4,555,829)	(2,202,858)

WHAT3WORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2017

21 Reconciliations on adoption of FRS 102

Reconciliation of equity

	1 August 2015 £	31 July 2016 £
Equity as reported under previous UK GAAP	538,571	5,705,318
Adjustments to prior year (note 22)	-	96,687
As restated	<u>538,571</u>	<u>5,802,005</u>

Reconciliation of loss for the financial period

	Notes	2016 £
Loss as reported under previous UK GAAP		(2,256,107)
Adjustments to prior year (note 22)		<u>96,687</u>
As restated		(2,159,420)
Adjustments arising from transition to FRS 102:		
Equity settled share based payment transactions (note 15)		<u>(28,583)</u>
Loss reported under FRS 102		<u>(2,188,003)</u>

WHAT3WORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2017

22 Prior period adjustment

A prior year adjustment was noted for the incorrect expense of Patents and Trademarks in the 2015-16 financial year to the profit or loss. The adjustment made relates to the capitalisation of the costs incurred in 2015-16 financial year and the pro-rated amortisation charge for these capitalised items.

Changes to the balance sheet

Balances as restated before FRS 102 transition adjustments:	At 31 July 2016		
	As previously reported	Adjustment	As restated
	£	£	£
Fixed assets			
Other intangibles	150,180	96,687	246,867
	<u> </u>	<u> </u>	<u> </u>
Capital and reserves			
Share based payment reserve	-	28,583	28,583
Profit and loss	(3,516,827)	68,104	(3,448,723)
	<u> </u>	<u> </u>	<u> </u>
 Total equity	 5,705,318	 96,687	 5,802,005
	<u> </u>	<u> </u>	<u> </u>

Changes to the profit and loss account

Balances as restated before FRS 102 transition adjustments:	Period ended 31 July 2016		
	As previously reported	Adjustment	As restated
	£	£	£
Administrative expenses	(2,368,492)	96,687	(2,271,805)
	<u> </u>	<u> </u>	<u> </u>
 Loss for the financial period	 (2,256,107)	 96,687	 (2,159,420)
	<u> </u>	<u> </u>	<u> </u>