



# PRISMTECH GROUP LIMITED

## ANNUAL REPORT

8 MONTHS ENDED 31 DECEMBER 2015

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# PRISMTECH GROUP LIMITED ANNUAL REPORT

## Company information

PrismTech Group Limited

**Registered office:**

Forsyth House, Lomond Court Castle Business Park, Stirling, Stirlingshire FK9 4TU, United Kingdom

**Company number:**

SC 338033

**Subsidiaries**

PrismTech Limited

Gateshead, UK

PrismTech Corporation

Woburn, MA, USA

PrismTech France SARL

Paris, France

OpenSplice BV

Hengelo, The Netherlands

PrismTech Canada Inc.

Ottawa, Canada

**Directors**

Jeff Chou (Appointed 16 December 2015)

David Cairns (Resigned 16 December 2015)

Dirk Finstel (Appointed 16 December 2015)

John Flynn (Resigned 16 December 2015)

Mimi Han (Appointed 16 December 2015)

Steve Jennis (Resigned 16 December 2015)

Jim Liu (Appointed 16 December 2015)

David Milroy (Resigned 16 December 2015)

Lawrence Ross (Appointed 16 December 2015)

Keith Steele (Resigned 16 December 2015)

**Officers**

Steve Cammish, Engineering Operations

Steve Jennis, SVP Marketing & Corporate Development

Lawrence Ross, CEO

Keith Steele, Founder, Sales Operations

Phil Wright, Finance and Admin

**Auditor:**

Royce Peeling Green Limited, The Copper Room, Deva Centre, Trinity Way, Manchester M3 7BG

**Banker:**

Royal Bank of Scotland, 52-54 East Port, Dunfermline KY12 7HB

**Solicitor:**

Square One Law LLP, Anson House, Burdon Terrace, Newcastle upon Tyne, NE2 3AE

# PRISMTECH GROUP LIMITED ANNUAL REPORT

## Report of the Directors

The directors present their report and the financial statements for the 8 months ended 31 December 2015.

### Principal activities

PrismTech is a Communications Software business.

The Group's product lines are focused on enabling and managing sophisticated software communications systems: Vortex is a data sharing platform for the Industrial Internet under the DDS standard deployed in applications such as air traffic control, smart city and smart energy systems and military command and control systems; Spectra addresses the software defined radio market where the SCA protocol has become the standard.

PrismTech operates in Europe, the Middle East, the Americas and the Asia-Pacific regions with offices in the UK, USA, Canada, France and Holland.

### Business review and future developments

Early in FY15/16 the board made a decision to seek a buyer for the business as it was clear that to fully exploit the Industrial Internet of Things (IIoT) opportunity we would require greater scale and a more global reach. This resulted in the successful acquisition in December 2015 of PrismTech by ADLINK Technology Inc. (ADLINK) a company quoted on the Taiwan Stock Exchange. ADLINK has operations in America, Singapore, China, Japan, Korea and Germany with over 1,800 employees worldwide.

During the period we continued to make significant gains in the market with the acquisition of substantial new customers many of whom we expect to be major players in the roll out of IIoT in the future. These wins have helped consolidate our position in key IIoT areas such as Smart Cities, Power generation and distribution, Transportation, Healthcare as well as more traditional areas such as Industrial Automation and Mil/Aero.

The changes in the management team as noted in the FY14/15 report have now fully bedded in and this coupled with ongoing investment in sales and marketing continue to grow our pipeline, execution and delivery capability.

Once again, for myself and on behalf of the Board, let me thank our staff for their hard work this past year. Our customers continue to tell us that we have a committed, talented, customer-service oriented team that, combined with our innovative, award-winning products, makes PrismTech a valued, strategic partner to Fortune 1000 and smaller companies alike.

### Statutory financial results

The results for the year are shown on page 8. Revenues of £2,688k compared to last year's £5,174k. Net Loss was £3,535k (FY14/15: £1,416k).

We continued to invest in Vortex product development, allowing us to launch first-to-market functionality that gave us a clear market-leadership position

The directors do not recommend the payment of a dividend.

# PRISMTECH GROUP LIMITED ANNUAL REPORT

## Report of the Directors (continued)

### **Directors**

The current directors and the directors who held office during the period are detailed in the Company Information.

Insurance policies indemnify directors and officers against liability when acting for the Group.

### **Financial risk management**

The Group's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, foreign currency exchange rates, credit risk and liquidity risk.

Much of the business and operations of the Group are conducted in US dollars and euros and as such there are exchange risks associated with translation into £ sterling for reporting purposes. Other than this, the Group does not have material transaction exposures in any of the areas identified above and, consequently has not used derivative instruments to manage these exposures.

The Group's principal financial instruments comprise sterling, euro and US dollar cash and bank deposits, other loans and obligations under finance leases together with trade debtors and trade creditors that arise directly from its operations.

The main risks arising from the Group's financial instruments can be analysed as follows:

#### ***Foreign currency risk***

The Group is exposed in its trading operations to the risk of changes in foreign currency exchange rates. As the Group has both operating costs and revenues within Europe and the US the overall risk is not significant. The main foreign currencies in which the Group operates are the euro and the US dollar.

#### ***Credit risk***

The Group's principal financial assets are bank balances, cash, and trade debtors, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade debtors. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

#### ***Liquidity risk***

The Group's policy has been to ensure continuity of funding through acquiring an element of the Group's fixed assets under finance leases, and arranging funding for working capital via medium-term loans and additional factoring facilities to aid short-term flexibility.

# PRISMTECH GROUP LIMITED ANNUAL REPORT

## Report of the Directors (continued)

### *Cash flow interest rate risk*

Interest bearing assets comprise cash and bank deposits, all of which earn interest at a variable rate. The Group's policy is to maintain borrowings at fixed rates where possible to fix the amount of future interest cash flows. The directors monitor the overall level of borrowings and interest costs to limit any adverse effects on financial performance of the Group.

### **Going concern**

As noted previously the company was acquired in December 2015 by ADLINK Technology Inc. (ADLINK) a company quoted on the Taiwan Stock Exchange. As part of the acquisition new capital of £4.15 million was injected into the company by way of capitalisation of loans which enabled it to pay off existing term debt of £3 million. ADLINK subsequently extended a revolving credit facility of \$2 million to the company which it can draw against as required until it is able to support itself from expected future profits and cash generation. Consequently the directors have continued to prepare the financial statements on the going concern basis.

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Report of the Directors 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws).

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 and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

In so far as each of the directors is aware:

- there is no relevant audit information of which the company's auditor are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor are aware of that information.

## PRISMTECH GROUP LIMITED ANNUAL REPORT

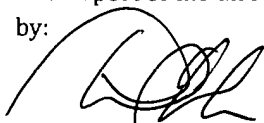
### Report of the Directors (continued)

#### Auditors

In accordance with the company's articles, a resolution proposing that Royce Peeling Green Limited be reappointed as auditors of the company will be put at a General Meeting.

#### Approval

The Report of the directors was approved by the Board on **6 APRIL** 2016 and signed on its behalf by:



Phil Wright  
Secretary

# PRISMTECH GROUP LIMITED ANNUAL REPORT

## Independent Auditor's Report to the Members of PrismTech Group Limited

We have audited the financial statements of PrismTech Group Limited for the period ended 31 December 2015 which comprise the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102.

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 6, 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 (APB'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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the group and parent company as at 31 December 2015 and of the group's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom 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.



## PRISMTECH GROUP LIMITED ANNUAL REPORT

### Independent Auditor's Report to the Members of PrismTech Group Limited (continued)

#### 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, 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; or
- the directors were not entitled to take advantage of the small companies' exemption from preparing a strategic report.

*Royce Peeling Green Limited*

Martin Chatten

For and on behalf of Royce Peeling Green Limited

Chartered Accountants

Statutory Auditor

7<sup>th</sup> APRIL 2016

The Copper Room  
Deva Centre, Trinity Way  
Manchester M3 7BG  
United Kingdom

# PRISMTECH GROUP LIMITED ANNUAL REPORT

## Consolidated Profit and Loss Account for the period ended 31 December 2015

	Note	8 Months ended 31 December 2015 £	Year ended 30 April 2015 £
<b>Turnover</b>	<b>3</b>	2,687,678	5,174,097
Cost of sales		<u>(697,356)</u>	<u>(1,299,617)</u>
<b>Gross profit</b>		1,990,322	3,874,480
Administrative expenses		<u>(4,985,911)</u>	<u>(5,457,553)</u>
<b>Loss on ordinary activities before interest</b>	<b>4</b>	(2,995,589)	(1,583,073)
Interest receivable and similar income		21,566	19,690
Interest payable and similar charges	<b>5</b>	<u>(645,126)</u>	<u>(262,961)</u>
<b>Loss on ordinary activities before taxation</b>		(3,619,149)	(1,826,344)
Tax on loss on ordinary activities	<b>8</b>	<u>84,595</u>	<u>410,822</u>
<b>Loss on ordinary activities after taxation</b>		<u><u>(3,534,554)</u></u>	<u><u>(1,415,522)</u></u>

## Consolidated Statement of Comprehensive Income for the period ended 31 December 2015

	£	£
Loss for the period/ year	(3,534,554)	(1,415,522)
Exchange gains taken direct to reserves	<u>59,639</u>	<u>205,347</u>
<b>Total comprehensive income</b>	<u><u>(3,474,915)</u></u>	<u><u>(1,210,175)</u></u>

THE ACCOMPANYING ACCOUNTING POLICIES & NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

# PRISMTECH GROUP LIMITED ANNUAL REPORT

## Consolidated Statement of Changes in Equity for the period ended 31 December 2015

	Share capital £	Share premium account £	Foreign currency translation reserve £	Profit and loss account £	Total £
At 1 May 2014	11,594	2,710,874	(1,167,525)	(3,537,162)	(1,982,219)
Loss for the year	-	-	-	(1,415,522)	(1,415,522)
Foreign exchange translation differences	-	-	205,347	-	205,347
At 1 May 2015	11,594	2,710,874	(962,178)	(4,952,684)	(3,192,394)
Loss for the period	-	-	-	(3,534,554)	(3,534,554)
Foreign exchange translation differences	-	-	59,639	-	59,639
Share issue	4,136	4,214,283	-	-	4,218,419
At 31 December 2015	15,730	6,925,157	(902,539)	(8,487,238)	(2,448,890)

## Company Statement of Changes in Equity for the period ended 31 December 2015

	Share capital £	Share premium account £	Profit and loss account £	Total £
At 1 May 2014	11,594	2,710,874	34,196	2,756,664
Profit for the year	-	-	210,063	210,063
At 1 May 2015	11,594	2,710,874	244,259	2,966,727
Profit for the period	-	-	134,207	134,207
Share issue	4,136	4,214,283	-	4,218,419
At 31 December 2015	15,730	6,925,157	378,466	7,319,353

THE ACCOMPANYING ACCOUNTING POLICIES & NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

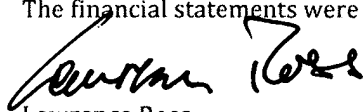
# PRISMTECH GROUP LIMITED ANNUAL REPORT

## Consolidated Balance Sheet

at 31 December 2015

	Note	31 December 2015 £	30 April 2015 £
<b>Fixed assets</b>			
Intangible assets	9	204,616	236,616
Tangible assets	10	31,702	44,465
		<u>236,318</u>	<u>281,081</u>
<b>Current assets</b>			
Debtors	13	1,340,838	2,303,840
Cash at bank and in hand		<u>262,635</u>	<u>294,130</u>
		1,603,473	2,597,970
<b>Creditors: amounts falling due within one year</b>	14	<u>(4,288,681)</u>	<u>(4,184,785)</u>
<b>Net current liabilities</b>		<u>(2,685,208)</u>	<u>(1,586,815)</u>
<b>Total assets less current liabilities</b>		(2,448,890)	(1,305,734)
<b>Creditors: amounts falling due after more than one year</b>	15	<u>-</u>	<u>(1,886,660)</u>
<b>Net liabilities</b>		<u>(2,448,890)</u>	<u>(3,192,394)</u>
<b>Capital and reserves</b>			
Called up share capital	16	15,730	11,594
Share premium account		6,925,157	2,710,874
Foreign currency translation reserve		(902,539)	(962,178)
Profit and loss account		<u>(8,487,238)</u>	<u>(4,952,684)</u>
<b>Equity shareholders' deficit</b>		<u>(2,448,890)</u>	<u>(3,192,394)</u>

The financial statements were approved by the Board on 6 APRIL 2016 and signed on its behalf by:



Lawrence Ross

Director

PrismTech Group Limited (company number: SC338033)

THE ACCOMPANYING ACCOUNTING POLICIES & NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

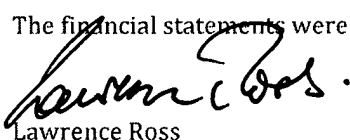
# PRISMTECH GROUP LIMITED ANNUAL REPORT

## Company Balance Sheet

at 31 December 2015

	Note	31 December 2015 £	30 April 2015 £
<b>Fixed assets</b>			
Investments	11	25,534	25,534
Tangible assets		<u>16</u>	<u>200</u>
		<u>25,550</u>	<u>25,734</u>
<b>Current assets</b>			
Debtors	13	7,693,745	3,461,786
<b>Creditors:</b> amounts falling due within one year	14	<u>(399,942)</u>	<u>(520,793)</u>
<b>Net current assets</b>		<u>7,293,803</u>	<u>2,940,993</u>
<b>Net assets</b>		<u>7,319,353</u>	<u>2,966,727</u>
<b>Capital and reserves</b>			
Called up share capital	16	15,730	11,594
Share premium account		6,925,157	2,710,874
Profit and loss account		<u>378,466</u>	<u>244,259</u>
<b>Equity shareholders' funds</b>		<u>7,319,353</u>	<u>2,966,727</u>

The financial statements were approved by the Board on 6 April 2016 and signed on its behalf by:



Lawrence Ross

Director

PrismTech Group Limited (company number: SC338033)

THE ACCOMPANYING ACCOUNTING POLICIES & NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

# PRISMTECH GROUP LIMITED ANNUAL REPORT

## Consolidated Cash Flow Statement

for the period ended 31 December 2015

	Note	8 Months ended 31 December 2015 £	Year ended 30 April 2015 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	20	(1,899,185)	(1,499,751)
Interest paid		(382,864)	(149,029)
Taxation recovered		495,417	39,503
Net cash outflow from operating activities		<u>(1,786,632)</u>	<u>(1,609,277)</u>
<b>Investing activities</b>			
Interest received		21,566	19,690
Payments to acquire tangible fixed assets		(1,781)	(21,253)
Proceeds of disposal of OpenFusion business		-	1,108,760
Deferred payments to acquire subsidiary undertaking		-	(10,744)
		<u>19,785</u>	<u>1,096,453</u>
<b>Financing activities</b>			
Share capital issued for cash		67,433	-
New loans		4,550,720	613,643
Repayment of term loans incl premium		(2,609,010)	-
Decrease in short term debt		(277,791)	(12,726)
Decrease in other loans		-	(31,742)
Net cash flow from financing		<u>1,731,352</u>	<u>569,175</u>
(Decrease)/ increase in cash and cash equivalents		(35,495)	56,351
Cash and cash equivalents at beginning of period/ year		<u>294,130</u>	<u>237,779</u>
Cash and cash equivalents at end of period/ year		<u>100,083</u>	<u>294,130</u>
<b>Being</b>			
Cash at bank and in hand		262,635	294,130
Bank overdraft		<u>(162,552)</u>	<u>-</u>
		<u>100,083</u>	<u>294,130</u>

A new loan of £4,150,986 was subsequently capitalised by the company.

# PRISMTECH GROUP LIMITED ANNUAL REPORT

## Notes to the Financial Statements for the period ended 31 December 2015

### 1. Accounting policies

#### Company information

PrismTech Group Limited is a limited company domiciled and incorporated in Scotland; its registered office is Forsyth House, Lomond Court Castle Business Park, Stirling, Stirlingshire FK9 4TU, United Kingdom.

#### Basis of accounting

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

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 on the historical cost convention, modified to include the revaluation of certain financial instruments at fair value. The principal accounting policies adopted are set out below.

These financial statements for the period ended 31 December 2015 are the first financial statements of PrismTech Group 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 May 2014. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

As permitted by section 230 of the Companies Act 2006, the profit and loss account of the parent company has not been separately presented in the financial statements. The parent company's retained profit for the period was £134,207 (Year ended 30 April 2015: £210,063).

#### Going concern

The financial statements have been prepared on the going concern basis. The Directors' Report sets out the reasons surrounding the directors' assessment that the Group continues to be a going concern.

#### Basis of consolidation

On 26 March 2008 PrismTech Group Limited acquired the entire issued share capital of PrismTech Holdings Limited by way of a share for share exchange. The transaction qualified as a group reconstruction within the meaning of UK GAAP and has been accounted for using merger accounting.

#### Goodwill

On the acquisition of a business fair values are attributed to the net assets acquired. Where the cost of acquisition exceeds the fair values attributed to such net assets, the difference is treated as goodwill and is capitalised in the Group balance sheet in the year of acquisition. Such goodwill is amortised over the directors' estimate of its useful economic life of 10 years.

# PRISMTECH GROUP LIMITED ANNUAL REPORT

## Notes to the Financial Statements for the period ended 31 December 2015

### 1. Accounting policies (continued)

#### Revenue recognition

Turnover represents the amounts invoiced or invoiceable to third parties after deduction of credit notes, trade discounts, sales tax and value added tax. The Group derives revenue from software licences, support agreements and other related products and services. Support agreements include telephone support and software maintenance.

The Group recognises the revenue allocated to software licences and specified upgrades upon shipment of the software product, when there are no significant vendor obligations remaining, when the fee is fixed and determinable and when collectability is considered probable.

Revenue allocated to support agreements is recognised on a straight-line basis over the term of the agreement. Revenue not recognised in the profit and loss account under this policy is classified as deferred income in the balance sheet.

Revenue allocated to other related products and services is recognised as the products are shipped or services are provided.

#### Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is provided on a straight-line basis at rates which are estimated to reduce the assets concerned from cost to estimated residual value by the end of their expected useful economic lives which are considered to be:

Computer hardware and software	25% straight line
Office equipment	14% straight line
Fixtures and fittings	14% straight line

#### Impairment of fixed assets

At each reporting 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). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.



# PRISMTECH GROUP LIMITED ANNUAL REPORT

## Notes to the Financial Statements for the period ended 31 December 2015

### 1. Accounting policies (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. 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.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **Investments**

Investments in subsidiaries are stated at cost less provision for impairment where necessary to reduce book value to recoverable amount. Cost is purchase price plus acquisition expenses.

#### **Research and development**

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

#### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the balance sheet date. The financial statements of overseas subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on retranslation of opening net assets is taken directly to reserves. All other exchange differences are taken to the profit and loss account.

#### **Cash and cash equivalents**

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

#### **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 statement of financial position when the company becomes party to the contractual provisions of the instrument.

## Notes to the Financial Statements for the period ended 31 December 2015

### 1. Accounting policies (continued)

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 trade and other receivables 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.

#### Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

#### Impairment of financial assets

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

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

#### Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

# PRISMTECH GROUP LIMITED ANNUAL REPORT

## Notes to the Financial Statements for the period ended 31 December 2015

### 1. Accounting policies (continued)

#### **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 trade and other payables, 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 receipts discounted at a market rate of interest.

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

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

#### **Other financial liabilities**

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

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.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

#### **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.

## Notes to the Financial Statements for the period ended 31 December 2015

### 1. Accounting policies (continued)

#### **Grants**

Grants of a capital nature are treated as deferred income and are released to the profit and loss account over the expected useful life of the relevant assets in equal instalments. Grants of a revenue nature are included in other operating income in the period to which they relate.

#### **Taxation**

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

#### ***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.

#### **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.

# PRISMTECH GROUP LIMITED ANNUAL REPORT

## Notes to the Financial Statements for the period ended 31 December 2015

### 1. Accounting policies (continued)

#### **Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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.

#### **Auditors' limitation of liability**

The company has entered into a liability limitation agreement with Royce Peeling Green Limited, the statutory auditor for the year ended 31 December 2015. The proportionate liability agreement follows the standard terms in Appendix B to the Financial Reporting Council's June 2008 Guidance on Auditor Liability Agreements, and has been approved by the shareholders.

### 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.

# PRISMTECH GROUP LIMITED ANNUAL REPORT

## Notes to the Financial Statements for the period ended 31 December 2015

### 3. Turnover

Turnover relates to one class of business and is analysed as follows:

	8 Months ended 31 December 2015 £	Year ended 30 April 2015 £
United Kingdom	214,430	220,885
Europe (excluding United Kingdom)	1,085,483	2,116,125
Rest of the world	1,387,765	2,837,087
	<u>2,687,678</u>	<u>5,174,097</u>

### 4. Operating loss

<b>Operating loss is stated after charging:</b>	<b>£</b>	<b>£</b>
Depreciation of tangible fixed assets	14,687	28,653
Goodwill amortisation	32,000	47,969
Research and development costs	1,694,998	1,910,594
Loss on sale of fixed assets	51	851
Fees payable to the company's auditors		
- for the audit of the financial statements	7,000	6,000
- for the audit of the financial statements of the company's subsidiaries pursuant to legislation	10,000	9,500
Operating leases:		
- property	211,096	328,794
- other	32,519	58,125

### 5. Interest payable

	<b>£</b>	<b>£</b>
Loan interest	103,553	121,477
Loan redemption premium	491,758	8,242
Other finance charges	49,815	133,242
	<u>645,126</u>	<u>262,961</u>

# PRISMTECH GROUP LIMITED ANNUAL REPORT

## Notes to the Financial Statements for the period ended 31 December 2015

### 6. Directors' emoluments

	8 Months ended 31 December 2015 £	Year ended 30 April 2015 £
Emoluments	234,814	429,238
Contributions to money purchase pension schemes	409,786	43,761
	<u>644,600</u>	<u>472,999</u>
<b>In respect of the highest paid director:</b>		
Emoluments	95,885	150,076
Contributions to money purchase pension schemes	151,863	14,375
	<u>247,748</u>	<u>164,451</u>

Three directors (2015: three) are accruing retirement benefits under money purchase pension schemes.

### 7. Employee information

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

	No	No
Development, support and consultancy	39	44
Sales and marketing	20	21
Administration	8	11
	<u>67</u>	<u>77</u>
<b>Staff costs (for the above persons)</b>		
	£	£
Wages and salaries	2,560,881	3,814,461
Social security costs	440,370	698,708
Pension contributions	788,862	207,363
	<u>3,790,113</u>	<u>4,720,532</u>

# PRISMTECH GROUP LIMITED ANNUAL REPORT

## Notes to the Financial Statements for the period ended 31 December 2015

### 8. Taxation

	8 Months ended 31 December 2015 £	Year ended 30 April 2015 £
<b>Analysis of (credit)/ charge in period/ year</b>		
UK corporation tax on (loss)/ profit for the period/ year	-	(410,822)
Overseas corporation tax -Adjustment in respect of prior years	(84,595)	-
<b>Total current tax credit</b>	(84,595)	(410,822)
<b>Deferred tax</b>	-	-
<b>Tax on loss on ordinary activities</b>	(84,595)	(410,822)

#### Current tax reconciliation

The tax assessed is lower than the standard rate of corporation tax in the UK of 20% (30 April 2015: 21%). The differences are explained below:

	£	£
Loss on ordinary activities before tax	(3,619,149)	(1,826,344)
Loss profit on ordinary activities multiplied by the standard rate of corporation tax in the UK	(723,830)	(383,532)
<i>Effects of:</i>		
Expenses/ (income) not allowable for tax purposes	(65,951)	178,832
Capital allowances in excess of depreciation	1,695	171
Prior year items- R&D tax credit claims	(84,595)	-
Brought forward tax losses utilised	(9,292)	(43,905)
Current year tax losses not utilised	797,378	64,271
R&D enhancement	-	(410,822)
Tax rate differential on R&D loss surrender	-	184,163
<b>Current tax credit for the year</b>	(84,595)	(410,822)

#### Factors that may affect future tax charges

At 31 December 2015 the Group has gross surplus tax losses of approximately £6.8 million (April 2015: £9.9 million), the largest components of which are within PrismTech Limited (£4.8 million, April 2015: £1.4 million), PrismTech Corporation (£Nil, April 2015: £6.6 million) and PrismTech SARL (£2.0 million, April 2015: £1.7 million). It is not considered prudent to recognise any deferred tax assets in respect of the reversal of these losses at the year end. The corporation tax losses in PrismTech Corporation lapsed on change of control in December 2015.



# PRISMTECH GROUP LIMITED ANNUAL REPORT

## Notes to the Financial Statements for the period ended 31 December 2015

### 9. Intangible fixed assets

	Goodwill £
<b>Cost</b>	
At 1 May 2015 and at 31 December 2015	<u>479,694</u>
<b>Amortisation</b>	
At 1 May 2015	243,078
Charge for the year	<u>32,000</u>
At 31 December 2015	<u>275,078</u>
<b>Net book value</b>	
At 31 December 2015	<u>204,616</u>
At 30 April 2015	<u>236,616</u>

Goodwill is being amortised over 10 years, being the directors' estimate of its useful economic life.

# PRISMTECH GROUP LIMITED ANNUAL REPORT

## Notes to the Financial Statements for the period ended 31 December 2015

### 10. Tangible fixed assets

Group	Computer hardware and software £	Office equipment £	Fixtures and fittings £	Total £
<b>Cost or valuation</b>				
At 1 May 2015	1,070,996	71,564	69,272	1,211,832
Additions	1,385	208	188	1,781
Disposals	(15,217)	(411)	(1,433)	(17,061)
Foreign exchange differences	1,160	71	160	1,391
At 31 December 2015	<u>1,058,324</u>	<u>71,432</u>	<u>68,187</u>	<u>1,197,943</u>
<b>Depreciation</b>				
At 1 May 2015	1,039,776	68,983	58,608	1,167,367
Charged for the year	10,748	382	3,557	14,687
Disposals	(15,217)	(406)	(1,387)	(17,010)
Foreign exchange differences	1,041	59	97	1,197
At 31 December 2015	<u>1,036,348</u>	<u>69,010</u>	<u>60,875</u>	<u>1,166,241</u>
<b>Net book value</b>				
At 31 December 2015	<u>21,976</u>	<u>2,414</u>	<u>7,312</u>	<u>31,702</u>
At 30 April 2015	<u>31,220</u>	<u>2,581</u>	<u>10,664</u>	<u>44,465</u>

### Company

The company's tangible fixed assets have a historical book cost of £3,760 (30 April 2015: £3,760). Depreciation of £183 was charged against the cost of these assets during the year to arrive at net book value of £16 (30 April 2015: £200).

# PRISMTECH GROUP LIMITED ANNUAL REPORT

## Notes to the Financial Statements

for the period ended 31 December 2015

### 11. Investments

Company	Subsidiary undertakings
Cost and net book value	£
At 30 April 2015 and 2014	<u>25,534</u>

Name of undertaking and nature of its business	Country of incorporation	Description of shares	Proportion of nominal shares held by Group	Company
OpenSplice BV	Netherlands	Ordinary	100%	99%
PrismTech Holdings Limited	UK	Ordinary	100%	100%
PrismTech Limited	UK	Various	100%	-
PrismTech Corporation	USA	Ordinary	100%	-
PrismTech France SARL	France	Ordinary	100%	-
PrismTech Canada Inc.	Canada	Ordinary	100%	-

PrismTech Holdings Limited is the immediate parent undertaking of PrismTech Limited which is the immediate parent undertaking of PrismTech Corporation, PrismTech France SARL and PrismTech Canada Inc. The principal activities of the Group during the period were the supply of computer software developer productivity tools and middleware solutions.

### 12. Financial instruments

	Group 31 December 2015 £	Company 31 December 2015 £	Group 30 April 2015 £	Company 30 April 2015 £
<b>Carrying amount of financial assets</b>				
Debt instruments measured at amortised cost	1,323,128	7,693,745	1,765,465	3,461,786
Equity instruments measured at cost less impairment	-	25,534	-	25,534
	<u>1,323,128</u>	<u>7,719,279</u>	<u>1,765,465</u>	<u>3,487,320</u>
<b>Carrying amount of financial liabilities</b>				
Measured at amortised cost	<u>4,011,255</u>	<u>399,942</u>	<u>5,884,917</u>	<u>520,793</u>

# PRISMTECH GROUP LIMITED ANNUAL REPORT

## Notes to the Financial Statements for the period ended 31 December 2015

### 13. Debtors

	Group 31 December 2015 £	Company 31 December 2015 £	Group 30 April 2015 £	Company 30 April 2015 £
<b>Amounts falling due within one year:</b>				
Trade debtors	898,350	-	1,371,913	-
Other debtors	162,143	-	99,422	-
Corporation tax	-	-	410,822	-
Amounts due from group undertakings	-	7,693,745	-	3,461,786
Prepayments and accrued income	280,345	-	421,683	-
	<u>1,340,838</u>	<u>7,693,745</u>	<u>2,303,840</u>	<u>3,461,786</u>

### 14. Creditors: Amounts falling due within one year

	Group 31 December 2015 £	Company 31 December 2015 £	Group 30 April 2015 £	Company 30 April 2015 £
Other loans	360,810	-	1,146,843	508,242
Bank overdraft	162,552	-	-	-
Trade creditors	267,259	208	480,069	12,551
Amounts owed to group undertakings	399,734	399,734	-	-
Other taxation and social security	277,426	-	186,528	-
Other creditors	188,623	-	119,786	-
Accruals and provisions	816,600	-	705,218	-
Deferred income	1,815,677	-	1,546,341	-
	<u>4,288,681</u>	<u>399,942</u>	<u>4,184,785</u>	<u>520,793</u>

Other loans comprise invoice financing facilities of £360,810 (30 April 2015: £638,601) secured against specific French and US debtor invoices and repayable on demand and a mezzanine loan and redemption premium from Scottish Loan Fund L.P. which were repaid in full on 16 December 2015 (30 April 2015: £508,236).

A currency offset overdraft facility is secured by fixed and floating charge over the undertaking and assets of subsidiary, PrismTech Limited, in favour of Royal Bank of Scotland PLC dated 31 October 2012.

# PRISMTECH GROUP LIMITED ANNUAL REPORT

## Notes to the Financial Statements for the period ended 31 December 2015

### 15. Creditors: amounts falling due after more than one year

	Group 31 December 2015 £	Company 31 December 2015 £	Group 30 April 2015 £	Company 30 April 2015 £
Other loans	-	-	1,886,660	-
<b>Repayable</b>				
Between one and two years	-	-	333,248	-
Between two and five years	-	-	1,553,412	-
	-	-	1,886,660	-

Other loans falling due after one year comprise a Dutch Innovation loan and accrued interest which were paid in full on 16 December 2015 (30 April 2015: £1,886,660).

### 16. Called up share capital

	31 December 2015 £	30 April 2015 £
<b>Allotted, called up and fully paid</b>		
30,000,000 ordinary shares of 0.025p each	7,500	4,340
29,430,111 preference shares of 0.025p each	7,358	7,208
3,487,795 'B' preference shares of 0.025p each	872	46
	15,730	11,594

All shares have the same rights and rank pari passu in all respects as if they together constituted the same class of share save that the preference and the 'B' preference shares carry a preferential return on capital. The preferential return varies dependant on the proceeds of any disposal or flotation of the business. Preference shares carry certain additional voting rights to class consent conditions compared to "B" preference shares.

On 31 December 2015 the company issued 3,306,202 ordinary shares of 0.025p each for consideration of £4,150,986 settled by capitalisation of an existing loan.

# PRISMTECH GROUP LIMITED ANNUAL REPORT

## Notes to the Financial Statements for the period ended 31 December 2015

### Share options

At 31 December 2015 there were no options for ordinary or preference shares of 0.025p each (30 April 2015: 6,433,924) granted to employees of the group under share option schemes.

During the period 599,311 share options for preference shares of 0.025p each were exercised by an employee for a consideration of £231, 3,083,540 share options for B preference shares of 0.025p each were exercised by employees for a consideration of £64,615 and 814,252 share options for ordinary shares of 0.025p each were exercised by employees for a consideration of £401. All other share options lapsed on 16 December 2015.

### Share warrants

On 22 December 2009 the company issued warrants for shares up to 15% of the company's fully diluted share capital. On 16 December 2015 the share warrants were exercised at par value with 8,741,293 ordinary shares of 0.025p each issued to the warrant holders for consideration of £2,185.

## 17. Financial commitments

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:

	31 December 2015 £	30 April 2015 £
<b>Equipment</b>		
Leases which expire:		
Within one year	1,730	11,327
Between one and two years	34,538	12,211
Between two and five years	11,528	53,902
	<u>47,796</u>	<u>77,440</u>
<b>Property</b>		
Leases which expire:		
Within one year	61,288	54,476
Between one and two years	230,167	349,135
Between two and five years	-	-
After more than five years	79,048	87,362
	<u>370,503</u>	<u>490,973</u>

The Company had no such commitments (30 April 2015: £Nil).

# PRISMTECH GROUP LIMITED ANNUAL REPORT

## Notes to the Financial Statements for the period ended 31 December 2015

### 18. Controlling party

The company is a wholly owned subsidiary of ADLINK Technology Inc. a company registered in Taiwan. ADLINK Technology Inc. is also the ultimate controlling company and is quoted on the Taiwan Stock Exchange. Its registered office is 9F, No 166 Jian Yi Road, 235 Chunggho City, Taipei, Taiwan.

ADLINK's financial statements are available to the public on the company's website as follows:  
[http://www.adlinktech.com/investor\\_relations/financial](http://www.adlinktech.com/investor_relations/financial).

### 19. Related party transactions

The Group has taken advantage of the exemption in FRS 102 from disclosing transactions between wholly owned group companies.

#### Key management compensation

The remuneration of key management personnel, being the directors and officers of the company is as follows:

	8 Months ended 31 December 2015 £	Year ended 30 April 2015 £
Aggregate compensation	<u>1,136,233</u>	<u>758,348</u>

#### Transactions with directors

Mrs V Cairns, the wife of David C Cairns, received emoluments of £15,900 (Year ended 30 April 2015: £25,175) and Mrs I Steele, the wife of Keith Steele, received emoluments of £14,375 (Year ended 30 April 2015: £21,563) during the period.

# PRISMTECH GROUP LIMITED ANNUAL REPORT

## Notes to the Financial Statements for the period ended 31 December 2015

### 20. Cash generated from operations

	8 Months ended 31 December 2015 £	Year ended 30 April 2015 £
Loss for the period/ year	(3,534,554)	(1,415,522)
<b>Adjustments for:</b>		
Corporation tax income	(84,595)	(410,822)
Finance costs	645,126	262,961
Investment income	(21,566)	(19,690)
Loss on disposal of tangible fixed assets	51	851
Depreciation of tangible fixed assets	14,687	28,653
Amortisation of goodwill	32,000	47,969
<b>Movements in working capital:</b>		
Exchange differences	64,801	740
Decrease in debtors	552,180	38,292
Increase/ (decrease) in creditors	432,685	(33,183)
	<u>(1,899,185)</u>	<u>(1,499,751)</u>