

Company number: SC 338033

PRISMTECH GROUP LIMITED

ANNUAL REPORT

YEAR ENDED 31 DECEMBER 2016



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PRISMTECH GROUP LIMITED ANNUAL REPORT

Company information

PrismTech Group Limited

Registered office:

11 Fishers Green, Bridge of Allan, FK9 4PU, 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

Dirk Finstel (resigned 30 April 2017)

Mimi Han

Jim Liu

Lawrence Ross, CEO

Officers

Steve Cammish, Engineering Operations

Steve Jennis, SVP Marketing & Corporate Development

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 year ended 31 December 2016.

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

Following the acquisition by ADLINK Technology Inc. (ADLINK) in December 2015 the company has made good progress reporting strong top line growth from all product lines. The greater scale and global reach has enabled the company to begin successfully exploiting the Industrial Internet of Things (IIoT) opportunity.

During the year we again made significant gains in the market with the acquisition of a record number of new customers many of whom are major players in the roll out of IIoT

We have also invested in growing the direct sales channel and further expanded the indirect channel utilising both existing ADLINK channels and local VAR's with the specialist skills and customer base to exploit the IIoT market. Technology partnering has also increased substantially with new relationships established with major players such as Intel and IBM.

Product investment has also continued with the creation of a new Platform product line "Vortex Edge". New versions of several products were brought to market with significant interest in the area of edge analytics where the partnership with IBM has produced an industry leading fully integrated and ready to deploy analytics appliance.

Once again, for myself and on behalf of the Board, let me thank our staff for their hard work and loyalty this past year. With the inevitable uncertainty following acquisition they have remained focused and embraced the opportunity of growing our IIoT business with ADLINK. 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 £7,736k compared to the previous period's £2,688k. Net Loss was £773k (8 months ended 31 December 2015: £3,535k).

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.

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. ADLINK have provided a revolving credit facility of \$2 million to the company and £4m bank facilities have been negotiated with Chinese Banks, both of which can be drawn against as required until the company 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

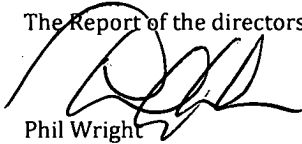
Report of the Directors (continued)

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 14 September 2017 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 year ended 31 December 2016 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 4, 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.

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 2016 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, based on the work undertaken in the course of our audit, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and the Directors' Report has been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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 (Senior Statutory Auditor)
For and on behalf of Royce Peeling Green Limited
Chartered Accountants
Statutory Auditor

18 September 2017

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

PRISMTECH GROUP LIMITED ANNUAL REPORT

Consolidated Profit and Loss Account for the year ended 31 December 2016

| | Note | Year ended 31 December 2016 £ | 8 months ended 31 December 2015 £ |
|--|----------|---|---|
| Turnover | 3 | 7,735,804 | 2,687,678 |
| Cost of sales | | <u>37,768</u> | <u>28,557</u> |
| Gross profit | | 7,698,036 | 2,659,121 |
| Administrative expenses | | <u>8,540,061</u> | <u>5,654,710</u> |
| Loss on ordinary activities before interest | 4 | (842,025) | (2,995,589) |
| Interest receivable and similar income | | 144 | 21,566 |
| Interest payable and similar charges | 5 | <u>(65,766)</u> | <u>(645,126)</u> |
| Loss on ordinary activities before taxation | | (907,647) | (3,619,149) |
| Tax on loss on ordinary activities | 8 | <u>134,827</u> | <u>84,595</u> |
| Loss on ordinary activities after taxation | | <u>(772,820)</u> | <u>(3,534,554)</u> |

Consolidated Statement of Comprehensive Income for the year ended 31 December 2016

| | £ | £ |
|--|--------------------|--------------------|
| Loss for the year/period | (772,820) | (3,534,554) |
| Exchange (losses)/gains taken direct to reserves | <u>(297,696)</u> | <u>59,639</u> |
| Total comprehensive income | <u>(1,070,516)</u> | <u>(3,474,915)</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 year ended 31 December 2016

| | Share capital £ | Share premium account £ | Foreign currency translation reserve £ | Profit and loss account £ | Total £ |
|---|-----------------------|----------------------------------|--|------------------------------------|-------------|
| 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) |
| Loss for the year | - | - | - | (772,820) | (772,820) |
| Foreign exchange translation differences | - | - | (297,696) | - | (297,696) |
| At 31 December 2016 | 15,730 | 6,925,157 | (1,200,235) | (9,260,058) | (3,519,406) |

Company Statement of Changes in Equity for the year ended 31 December 2016

| | Share capital £ | Share premium account £ | Profit and loss account £ | Total £ |
|-----------------------|-----------------------|----------------------------------|------------------------------------|------------|
| At 1 May 2015 | 11,594 | 2,710,874 | 244,259 | 2,966,727 |
| Profit for the period | - | - | 134,207 | 134,207 |
| Share issue | 4136 | 4,214,283 | - | 4,218,419 |
| At 31 December 2015 | 15,730 | 6,925,157 | 378,466 | 7,319,353 |
| Loss for the year | - | - | (393,939) | (393,939) |
| At 31 December 2016 | 15,730 | 6,925,157 | (15,473) | 6,925,414 |

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

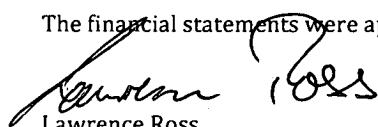
PRISMTECH GROUP LIMITED ANNUAL REPORT

Consolidated Balance Sheet

at 31 December 2016

| | Note | 31 December 2016 £ | 31 December 2015 £ |
|---|------|--------------------------|--------------------------|
| Fixed assets | | | |
| Intangible assets | 9 | 11,576 | 204,616 |
| Tangible assets | 10 | 77,397 | 31,702 |
| | | <u>88,973</u> | <u>236,318</u> |
| Current assets | | | |
| Debtors | 13 | 4,203,077 | 1,340,838 |
| Cash at bank and in hand | | 286,926 | 262,635 |
| | | <u>4,490,003</u> | <u>1,603,473</u> |
| Creditors: amounts falling due within one year | 14 | <u>(8,098,382)</u> | <u>(4,288,681)</u> |
| Net current liabilities | | <u>(3,608,379)</u> | <u>(2,685,208)</u> |
| Net liabilities | | <u>(3,519,406)</u> | <u>(2,448,890)</u> |
| Capital and reserves | | | |
| Called up share capital | 15 | 15,730 | 15,730 |
| Share premium account | | 6,925,157 | 6,925,157 |
| Foreign currency translation reserve | | (1,200,235) | (902,539) |
| Profit and loss account | | <u>(9,260,058)</u> | <u>(8,487,238)</u> |
| Equity shareholders' deficit | | <u>(3,519,406)</u> | <u>(2,448,890)</u> |

The financial statements were approved by the Board on 14 September 2017 and signed on its behalf by:



Lawrence Ross

Director

PrismTech Group Limited (company number: SC338033)

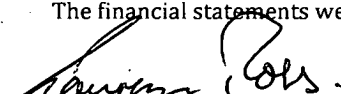
THE ACCOMPANYING ACCOUNTING POLICIES & NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

PRISMTECH GROUP LIMITED ANNUAL REPORT

Company Balance Sheet at 31 December 2016

| | Note | 31 December 2016 £ | 31 December 2015 £ |
|---|------|--------------------------|--------------------------|
| Fixed assets | | | |
| Investments | 11 | 7,245,794 | 25,534 |
| Tangible assets | | - | 16 |
| | | <u>7,245,794</u> | <u>25,550</u> |
| Current assets | | | |
| Debtors | 13 | 3,218,580 | 7,693,745 |
| Creditors: amounts falling due within one year | 14 | <u>(3,538,960)</u> | <u>(399,942)</u> |
| Net current assets | | <u>(320,380)</u> | <u>7,293,803</u> |
| Net assets | | <u>6,925,414</u> | <u>7,319,353</u> |
| Capital and reserves | | | |
| Called up share capital | 15 | 15,730 | 15,730 |
| Share premium account | | 6,925,157 | 6,925,157 |
| Profit and loss account | | <u>(15,473)</u> | <u>378,466</u> |
| Equity shareholders' funds | | <u>6,925,414</u> | <u>7,319,353</u> |

The financial statements were approved by the Board on 14 September 2017 and signed on its behalf by:


Lawrence Ross

Director

PrismTech Group Limited (company number: SC338033)

As permitted by section 408 Companies Act 2006, these financial statements do not include a separate profit and loss account for the parent company. The parent company's loss for the financial year was £393,939 (2015: £134,207 profit).

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

PRISMTECH GROUP LIMITED ANNUAL REPORT

Consolidated Cash Flow Statement for the year ended 31 December 2016

| | Note | Year ended 31 December 2016 £ | 8 months ended 31 December 2015 £ |
|---|------|---|---|
| Cash flows from operating activities | | | |
| Cash generated from operations | 19 | (2,195,805) | (1,982,089) |
| Interest paid | | (65,766) | (382,864) |
| Taxation recovered | | 112,821 | 495,417 |
| | | <u>(2,148,750)</u> | <u>(1,869,536)</u> |
| Net cash outflow from operating activities | | | |
| Investing activities | | | |
| Interest received | | 144 | 21,566 |
| Payments to acquire tangible fixed assets | | (60,280) | (1,781) |
| | | <u>(60,136)</u> | <u>19,785</u> |
| Financing activities | | | |
| Share capital issued for cash | | - | 67,433 |
| New loans | | 2,665,880 | 4,550,720 |
| Repayment of term loans including premium | | - | (2,684,658) |
| Decrease in short term debt | | (328,561) | (277,791) |
| | | <u>2,337,319</u> | <u>1,655,704</u> |
| Net cash flow from financing | | | |
| Increase/ (decrease) in cash and cash equivalents | | 128,433 | (194,047) |
| Cash and cash equivalents at beginning of year/ period | | 100,083 | 294,130 |
| Cash and cash equivalents at end of year/ period | | <u>228,516</u> | <u>100,083</u> |
| Being | | | |
| Cash at bank and in hand | | 286,926 | 262,635 |
| Bank overdraft | | (58,410) | (162,552) |
| | | <u>228,516</u> | <u>100,083</u> |

PRISMTECH GROUP LIMITED ANNUAL REPORT

Notes to the Financial Statements for the year ended 31 December 2016

1. Accounting policies

Company information

PrismTech Group Limited is a limited company domiciled and incorporated in Scotland; its registered office is 11 Fishers Green, Bridge of Allan, FK9 4PU, United Kingdom. The group's trading locations are listed on page 1.

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.

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. All subsequent acquisitions have been accounted for using acquisition 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

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.

Notes to the Financial Statements for the year ended 31 December 2016

1. Accounting policies (continued)

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.

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.

Notes to the Financial Statements for the year ended 31 December 2016

1. Accounting policies (continued)

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.

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 publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Notes to the Financial Statements for the year ended 31 December 2016

1. Accounting policies (continued)

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.

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.

Notes to the Financial Statements for the year ended 31 December 2016

1. Accounting policies (continued)

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.

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.

PRISMTECH GROUP LIMITED ANNUAL REPORT

Notes to the Financial Statements for the year ended 31 December 2016

1. Accounting policies (continued)

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.

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 2016. 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.

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Notes to the Financial Statements for the year ended 31 December 2016

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

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

| | Year ended 31 December 2016 £ | 8 months ended 31 December 2015 £ |
|-----------------------------------|---|---|
| United Kingdom | 244,806 | 214,430 |
| Europe (excluding United Kingdom) | 2,404,583 | 1,085,483 |
| Rest of the world | 5,086,415 | 1,387,765 |
| | <u>7,735,804</u> | <u>2,687,678</u> |

4. Operating loss

| | | |
|---|-----------|-----------|
| Operating loss is stated after charging: | £ | £ |
| Depreciation of tangible fixed assets | 23,165 | 14,687 |
| Goodwill amortisation | 48,000 | 32,000 |
| Research and development costs | 2,530,488 | 1,694,998 |
| Loss on sale of fixed assets | - | 51 |
| Fees payable to the company's auditors | | |
| - for the audit of the financial statements | 7,500 | 7,000 |
| - for the audit of the financial statements of the company's subsidiaries pursuant to legislation | 10,000 | 10,000 |
| Operating leases: | | |
| - property | 328,541 | 211,096 |
| - other | 43,656 | 32,519 |
| | <u></u> | <u></u> |

PRISMTECH GROUP LIMITED ANNUAL REPORT

Notes to the Financial Statements for the year ended 31 December 2016

5. Interest payable

| | Year ended 31 December 2016 £ | 8 months ended 31 December 2015 £ |
|-------------------------|---|---|
| Loan interest | 40,473 | 103,553 |
| Loan redemption premium | - | 491,758 |
| Other finance charges | 25,293 | 49,815 |
| | <u>65,766</u> | <u>645,126</u> |

6. Directors' emoluments

| | £ | £ |
|---|----------------|----------------|
| Emoluments | 163,682 | 234,814 |
| Contributions to money purchase pension schemes | 12,160 | 409,786 |
| | <u>175,842</u> | <u>644,600</u> |
| In respect of the highest paid director: | | |
| Emoluments | 163,682 | 95,885 |
| Contributions to money purchase pension schemes | 12,160 | 151,863 |
| | <u>175,842</u> | <u>247,748</u> |

One director (2015: three) is 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 | 38 | 39 |
| Sales and marketing | 21 | 20 |
| Administration | 8 | 8 |
| | <u>67</u> | <u>67</u> |
| Staff costs (for the above persons) | | |
| | £ | £ |
| Wages and salaries | 4,996,455 | 2,560,881 |
| Social security costs | 641,786 | 440,370 |
| Pension contributions | 237,254 | 788,862 |
| | <u>5,875,495</u> | <u>3,790,113</u> |

PRISMTECH GROUP LIMITED ANNUAL REPORT

Notes to the Financial Statements for the year ended 31 December 2016

8. Taxation

| | Year ended 31 December 2016 £ | 8 months ended 31 December 2015 £ |
|--|---|---|
| Analysis of (credit)/ charge in year/ period | | |
| UK corporation tax on loss for the year/ period | (69,790) | - |
| Overseas corporation tax -Adjustment in respect of prior years | <u>(65,037)</u> | <u>(84,595)</u> |
| Total current tax credit | (134,827) | (84,595) |
| Deferred tax | <u>-</u> | <u>-</u> |
| Tax on loss on ordinary activities | <u>(134,827)</u> | <u>(84,595)</u> |

Current tax reconciliation

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

| | £ | £ |
|--|------------------|--------------------|
| Loss on ordinary activities before tax | <u>(907,647)</u> | <u>(3,619,149)</u> |
| Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK | (181,529) | (723,830) |
| <i>Effects of:</i> | | |
| Expenses/ (income) not allowable for tax purposes | 10,383 | (65,951) |
| Capital allowances in excess of depreciation | (8,927) | 1,695 |
| Prior year items- R&D tax credit claims | (65,037) | (84,595) |
| Brought forward tax losses utilised | (69,518) | (9,292) |
| Current year tax losses not utilised | 249,591 | 797,378 |
| R&D enhancement | <u>(69,790)</u> | <u>-</u> |
| Current tax credit for the year | <u>(134,827)</u> | <u>(84,595)</u> |

Factors that may affect future tax charges

At 31 December 2016 the Group has gross surplus tax losses of approximately £7.8 million (2015: £7.0 million), the largest components of which are within PrismTech Limited (£5.5 million, 2015: £4.8 million) and PrismTech SARL (£1.9 million, 2015: £2.0 million). It is not considered prudent to recognise any deferred tax assets in respect of the reversal of these losses at the year end.

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Notes to the Financial Statements for the year ended 31 December 2016

9. Intangible fixed assets

| | Goodwill |
|---|------------------|
| | £ |
| Cost | |
| At 31 December 2015 | 479,694 |
| Reduction on settlement of deferred consideration | <u>(145,040)</u> |
| At 31 December 2016 | <u>334,654</u> |
| Amortisation | |
| At 31 December 2015 | 275,078 |
| Charge for the year | <u>48,000</u> |
| At 31 December 2015 | <u>323,078</u> |
| Net book value | |
| At 31 December 2016 | <u>11,576</u> |
| At 31 December 2015 | <u>204,616</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 year ended 31 December 2016

10. Tangible fixed assets

| Group | Computer hardware and software £ | Office equipment £ | Fixtures and fittings £ | Total £ |
|------------------------------|---|--------------------------|----------------------------------|----------------|
| Cost or valuation | | | | |
| At 31 December 2015 | 1,058,324 | 71,432 | 68,187 | 1,197,943 |
| Additions | 62,047 | 5,652 | - | 67,699 |
| Disposals | (987,623) | (64,023) | (51,393) | (1,103,039) |
| Foreign exchange differences | 6,927 | 839 | 1,620 | 9,386 |
| At 31 December 2016 | <u>139,675</u> | <u>13,900</u> | <u>18,414</u> | <u>171,989</u> |
| Depreciation | | | | |
| At 31 December 2015 | 1,036,348 | 69,018 | 60,875 | 1,166,241 |
| Charged for the year | 19,304 | 1,131 | 2,730 | 23,165 |
| Disposals | (987,623) | (64,023) | (51,393) | (1,103,039) |
| Foreign exchange differences | 6,539 | 713 | 973 | 8,225 |
| At 31 December 2016 | <u>74,568</u> | <u>6,839</u> | <u>13,185</u> | <u>94,592</u> |
| Net book value | | | | |
| At 31 December 2016 | <u>65,107</u> | <u>7,061</u> | <u>5,229</u> | <u>77,397</u> |
| At 31 December 2015 | <u>21,976</u> | <u>2414</u> | <u>7312</u> | <u>31,702</u> |

Company

The company's tangible fixed assets have a historical book cost of £nil (31 December 2015: £3,760).

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Notes to the Financial Statements for the year ended 31 December 2016

11. Investments

| Company | Subsidiary undertakings |
|--------------------------------|--------------------------------|
| Cost and net book value | £ |
| At 31 December 2015 | 25,534 |
| Additions | <u>7,220,260</u> |
| At 31 December 2016 | <u>7,245,794</u> |

On 1 December 2016 the company acquired PrismTech Limited from PrismTech Holdings Limited at its book value. The company subsequently capitalised loans of £7,200,000 owed by PrismTech Limited into the equity of that company.

| 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% | 100% |
| PrismTech Corporation | USA | Ordinary | 100% | - |
| PrismTech France SARL | France | Ordinary | 100% | - |
| PrismTech Canada Inc. | Canada | Ordinary | 100% | - |

PrismTech Limited 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 2016 £ | Company 31 December 2016 £ | Group 31 December 2015 £ | Company 31 December 2015 £ |
|---|---|---|---|---|
| Carrying amount of financial assets | | | | |
| Debt instruments measured at amortised cost | 4,203,077 | 3,218,580 | 1,323,128 | 7,693,745 |
| Equity instruments measured at cost less impairment | - | 7,245,794 | - | 25,534 |
| | <u>4,203,077</u> | <u>10,464,374</u> | <u>1,323,128</u> | <u>7,719,279</u> |
| Carrying amount of financial liabilities | | | | |
| Measured at amortised cost | <u>7,849,342</u> | <u>3,538,960</u> | <u>4,011,255</u> | <u>399,942</u> |

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Notes to the Financial Statements for the year ended 31 December 2016

13. Debtors

| | Group 31 December 2016 £ | Company 31 December 2016 £ | Group 31 December 2015 £ | Company 31 December 2015 £ |
|---|--------------------------------------|--|--------------------------------------|--|
| Amounts falling due within one year: | | | | |
| Trade debtors | 3,738,500 | - | 898,350 | - |
| Other debtors | 100,205 | - | 162,143 | - |
| Corporation tax | 114,323 | - | - | - |
| Amounts due from group undertakings | - | 3,218,580 | - | 7,693,745 |
| Prepayments and accrued income | 250,049 | - | 280,345 | - |
| | <u>4,203,077</u> | <u>3,218,580</u> | <u>1,340,838</u> | <u>7,693,745</u> |

14. Creditors: Amounts falling due within one year

| | Group 31 December 2016 £ | Company 31 December 2016 £ | Group 31 December 2015 £ | Company 31 December 2015 £ |
|------------------------------------|--------------------------------------|--|--------------------------------------|--|
| Other loans | 532,249 | 500,000 | 360,810 | - |
| Bank overdraft | 58,410 | - | 162,552 | - |
| Trade creditors | 416,389 | 34,576 | 267,259 | 208 |
| Amounts owed to group undertakings | 2,983,702 | 2,793,063 | 399,734 | 399,734 |
| Other taxation and social security | 249,040 | - | 277,426 | - |
| Other creditors | 469,985 | 210,899 | 188,623 | - |
| Accruals and provisions | 1,182,885 | 422 | 816,600 | - |
| Deferred income | 2,205,722 | - | 1,815,677 | - |
| | <u>8,098,382</u> | <u>3,538,960</u> | <u>4,288,681</u> | <u>399,942</u> |

Other loans comprise a bank loan of £500,000 from CTBC and invoice financing facilities of £32,249 (31 December 2015: £360,810) secured against specific French and US debtor invoices and repayable on demand. The bank loan is secured by a parent company guarantee and carries interest at 1.4% per annum and is repayable in full on 9 June 2017.

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.

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Notes to the Financial Statements for the year ended 31 December 2016

17. 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 Chungho City, Taipei, Taiwan.

ADLINK's financial statements are publicly available on the website: <http://www.adlinktech.com>

18. Related party transactions

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

Since it became part of the ADLINK group in December 2015, the group has received loan funding from ADLINK Technology Inc. and other group companies. At 31 December 2016, the amount owing to ADLINK companies was £2,983,702 (2015: £399,734). Interest of £40,484 has been charged by ADLINK at the rate of 2% per annum.

Key management compensation

The remuneration of key management personnel, being the directors and officers of the company, was:

| | 2016 £ | 2015 £ |
|------------------------|----------------|------------------|
| Aggregate compensation | <u>664,993</u> | <u>1,136,233</u> |

19. Cash generated from operations

| | 2016 £ | 2015 £ |
|---|--------------------|--------------------|
| Loss for the year/period | (772,820) | (3,534,554) |
| Adjustments for: | | |
| Corporation tax income | (134,827) | (84,595) |
| Finance costs | 65,766 | 645,126 |
| Investment income | (144) | (21,566) |
| Loss on disposal of tangible fixed assets | - | 51 |
| Depreciation of tangible fixed assets | 23,165 | 14,687 |
| Amortisation of goodwill | 48,000 | 32,000 |
| Movements in working capital: | | |
| Exchange differences | 309,845 | 86,939 |
| (Increase)/ decrease in debtors | (2,747,916) | 552,180 |
| Increase in creditors | <u>1,013,126</u> | <u>327,643</u> |
| | <u>(2,195,805)</u> | <u>(1,982,089)</u> |