Arria Data2Text Limited

Financial Statements
For the Year Ended 30 September 2017

Company Number SC355243

ARRIA DATA2TEXT LIMITED
CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017

ARRIA DATA2TEXT LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 30 SEPTEMBER 2017

DIRECTOR:	Nichola Webb
SECRETARY:	Thomas Makeig
REGISTERED OFFICE:	9th Floor, MacRobert Building University of Aberdeen Aberdeen AB24 5UA United Kingdom
REGISTERED NUMBER:	SC355243
INDEPENDENT AUDITOR:	KPMG LLP Chartered Accountants Statutory Auditor Botanic House 98-100 Hills Road Cambridge CB2 1JZ United Kingdom

ARRIA DATA2TEXT LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2017

The director presents the Strategic Report on the Company for the year ended 30 September 2017.

REVIEW OF BUSINESS

The results for the year and financial position of the company are shown in the annexed financial statements. The Company is the principal trading subsidiary of the Arria NLG (UK) Limited (formerly Arria NLG plc) group of companies and develops the Group's core technology. Arria's NLG technologies are an advanced AI software system that can automatically write narratives directly from data streams. The report and story writing capabilities of Arria's NLG technologies are so advanced, each report reads as if written by a human subject matter expert, specifically for intended readers. Arria NLG turns raw data into expertly written narratives in seconds, not hours or days. NLG starts working where current data analytics stop. This means the insights hidden within data can be instantly and automatically communicated, not just in numbers or spreadsheets, but in rich natural language narratives

More details of the progress of the business are contained in the consolidated financial statements of Arria NLG (UK) Limited (formerly Arria NLG plc), the parent company of the Group. The Director remains confident in the long term prospects for value creation of the Arria NLG Engine and the Company.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the development of intellectual property in the field of Artificial Intelligence ("AI") known as Natural Language Generation ("NLG") in the form of software and software-as-a-service technologies. Arria owns, develops, and licenses its core, patented NLG technologies, which are available via the Arria NLG Platform, to its clients and partners.

STRATEGY

The strategy of the company is the same as the strategy of the group. The Group's objective is to be the global leader in the development and commercialisation of Natural Language Generation technologies. Our strategy and business model has evolved from its direct one-to-one professional services model to a highly scalable one-to-many licensing model. Arria's sales channels now include:

1. **Direct:** Through direct sale to large-scale enterprise clients who require assistance with custom configuration of NLG applications to suit specific use cases. Sales teams in the USA and EMEA are focused on working directly with clients. Developers in Aberdeen provide professional services. Once applications are built and deployed, a RunTime recurring license fee is charged on a pay-per-word basis.
2. **Partners:** Through strategic partners who further configure prebuilt NLG applications and/or license our
developer tools to build their own applications to satisfy the demands of their client base. These relationships enable Arria to rapidly scale our business. Partners collect the professional service fees directly from their clients. Once applications are built and deployed, a RunTime recurring license fee is charged on a pay-per-word basis by Arria.
3. **Online:** Arria NLG Studio can be accessed online as a self-signup tool enabling the 18 million+ worldwide developer community as well as business users to configure and/or build their own NLG applications. Arria offers an initial free trial period. The license fee for Arria NLG Studio is $199 per month/per user seat. Once applications are built and deployed, an additional RunTime recurring license fee is charged on a pay-per-word.

For the full group strategic report refer to the consolidated financial statements of the ultimate parent company, Arria NLG (UK) Limited (formerly Arria NLG plc), for the year ended 30 September 2017, pages 3 to 10.

ARRIA DATA2TEXT LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2017

KEY PERFORMACE INDICATORS
The key performance indicators for the company are the same as the key performance indicators of the group. For full details refer to the consolidated financial statements of the ultimate parent company, Arria NLG (UK) Limited (formerly Arria NLG plc), for the year ended 30 September 2017, page 9.

PRINCIPAL RISKS AND UNCERTAINTIES
The directors believe that the risks are the same as the group. For full details refer to the consolidated financial statements of the ultimate parent company, Arria NLG (UK) Limited (formerly Arria NLG plc), for the year ended 30 September 2017, page 10.

ON BEHALF OF THE BOARD:

NWebb

Nichola Webb
Director

ARRIA DATA2TEXT LIMITED
DIRECTOR'S REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2017

The director presents the report with the audited financial statements of the company for the year ended 30 September 2017.

DIRECTORS
The directors shown below have held office during the year from 1 October 2016 to the date of this report.

Wayne Thornhill	Appointed 25 October 2013 Resigned 16 March 2017
Sharon Daniels	Appointed 16 March 2017 Resigned 21 August 2018
Nichola Webb	Appointed 21 August 2018

DIVIDENDS
No dividends will be distributed for the year ended 30 September 2017 (2016: Nil)

FUTURE DEVELOPMENTS
The director is concentrating efforts on trying to improve the prospects of the company and is confident of achieving this objective. The company is strengthening its position within the market place.

RESEARCH AND DEVELOPMENT
The company's approach to research and development is the same as that of the group. For full details refer to the consolidated financial statements of the ultimate parent company, Arria NLG (UK) Limited (formerly Arria NLG plc), for the year ended 30 September 2017, page 10.

QUALIFYING THIRD-PARTY INDEMNITY PROVISION
As permitted by the Articles of Association, the Director has the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

POST BALANCE SHEET EVENTS
Nichola Webb was appointed to the board of the Company as a director on 21 August 2018. Sharon Daniels resigned as a Director on 21 August 2018.

STATEMENTOFDIRECTOR'SRESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

GOINGCONCERN
The Company is reliant on funding provided by its parent entity Arria NLG (UK) Limited (formerly Arria NLG plc), and therefore the going concern assessment is linked to that of Arria NLG (UK) Limited (formerly Arria NLG plc). Further details are included in note 1.

ON BEHALF OF THE BOARD:

NWebb

NicholaWebb
Director

Arria Data2Text Limited
9th Floor, MacRobert Building
University of Aberdeen
Aberdeen AB24 5UA
United Kingdom

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARRIA DATA2TEXT LIMITED

Opinion

We have audited the financial statements of Arria Data2Text Limited ("the company") for the year ended 30th September 2017 which comprise the Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30th September 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to Going concern

We draw attention to note 1 in the financial statements, which indicates that, given its current net liabilities position and rate of cash utilisation, the entity is reliant on its ability to secure additional funding to enable it to grow to such a position that is able to meet its future loan repayments and continue as a going concern. The directors are in negotiations with identified sources of funding, but have not yet secured the additional funding. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter

Other information

The directors are responsible for the other information, which comprises the strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

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

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

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit. *We have nothing to report in these respects.*

Directors' responsibilities
As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

Richard Barlett-Rawlings (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Botanic House
98 -100 Hills Road
Cambridge CB2 1JZ
31 October 2018

ARRIA DATA2TEXT LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Note	Year ended 30 September 2017 £	Year ended 30 September 2016 £
Revenue	2	863,172	921,060
Cost of sales		(629,962)	(577,892)
Gross Profit		233,210	343,168
Administrative expenses		(4,764,270)	(3,494,906)
Operating loss		(4,531,060)	(3,151,738)
Finance income	4	2	30
Finance Expense	5	(2,884)	(72)
Loss on ordinary activities before taxation	6	(4,533,942)	(3,151,780)
Tax on loss on ordinary activities	7	812,472	480,583
Loss for the financial year	13	(3,721,470)	(2,671,197)
Total comprehensive expense for the financial year		**(3,721,470)**	**(2,671,197)**

The accompanying notes on pages 11 to 23 are an integral part of these financial statements

ARRIA DATA2TEXT LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

	Note	2017	2016
		£	£
Fixed assets			
Property, plant and equipment	8	30,415	56,522
Intangible assets	9	2,093,603	1,535,635
		2,124,018	1,592,157
Current assets			
Trade and other receivables	10	765,816	737,867
Cash and cash equivalents	11	-	56,285
		765,816	794,152
Creditors : amounts falling due within one year	14	(13,509,818)	(9,284,823)
Net Current liabilities		**(12,744,002)**	**(8,490,671)**
Total assets less current liabilities		**(10,619,984)**	**(6,898,514)**
Net liabilities		**(10,619,984)**	**(6,898,514)**
Equity			
Called up share capital	12	125	125
Share premium account	13	334,965	334,965
Profit and loss account	13	(10,955,074)	(7,233,604)
Total Shareholders deficit	15	**(10,619,984)**	**(6,898,514)**

The financial statements on pages 8 to 10 were approved by the Board of Director on 30 October 2018 and signed on its behalf by Nichola Webb.

NWebb

Registered number: SC355243

The accompanying notes on pages 11 to 23 are an integral part of these financial statements

ARRIA DATA2TEXT LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Note	Called up Share capital	Share premium account	Profit and loss account	Total shareholders deficit
		£	£	£	£
At 1 October 2015		**125**	**334,965**	**(4,562,407)**	**(4,227,317)**
Loss and total comprehensive expense for the financial year	13	-	-	(2,671,197)	(2,671,197)
At 30 September 2016		**125**	**334,965**	**(7,233,604)**	**(6,898,514)**
At 1 October 2016		**125**	**334,965**	**(7,233,604)**	**(6,898,514)**
Loss and total comprehensive expense for the financial year	13	-	-	(3,721,470)	(3,721,470)
At 30 September 2017		**125**	**334,965**	**(10,955,074)**	**(10,619,984)**

The accompanying notes on pages 11 to 23 are an integral part of these financial statements.

1. ACCOUNTING POLICIES

General information
The Company is a technology company providing software solutions to various industries.

The Company is a limited company domiciled in the United Kingdom and incorporated in the United Kingdom under registered number SC355243. The Company's registered office is 9th Floor, MacRobert Building, University of Aberdeen, Aberdeen, AB24 5UE.

Basis of preparation
These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS101) and with the Companies Act 2006, as applicable to companies using FRS101. The financial statements have been prepared under the historical cost convention.

The following disclosure exemptions from the requirements of IFRS have been applied in the preparation of these financial statements in accordance with IFRS 101:

- IAS 1 'Presentation of financial statements': information on management of capital has not been presented.
- IAS 7 'Statement of cash flows': A cash flow statement has not been presented.
- IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors': Disclosure in respect of new standards and interpretations that have been issued but which are not yet effective has not been provided.
- IAS 24 'Related party transactions': Related party transactions entered into between two or more members of the group, provided that the subsidiary which is a party to the transaction is wholly owned by such a member have not been disclosed.
- IFRS 7 'Financial instruments: Disclosures': None of the disclosures required by IFRS 7 have been presented.
- IFRS 13 'Fair value measurement': None of the disclosures required by IFRS 13 have been presented

The results of Arria Data2Text Limited for the year ended 30 September 2017 are included in the consolidated financial statements of Arria NLG (UK) Limited (formerly Arria NLG plc). A copy of these financial statements can be obtained can be obtained from the Company Secretary at 150 Aldersgate Street, London EC1A 4AB, United Kingdom.

The accounting policies have been used throughout both years presented in the financial statements. The financial statements of Arria Data2Text Limited are presented in pounds sterling, which is its functional currency.

Adoption of new and revised International Financial Reporting Standards

New and amended standards adopted by the Company
There are no standards that have been adopted by the Company for the first time for the financial year beginning on 1 October 2016 that have a material impact on the Company.

Going Concern
The Company is reliant on funding provided by its parent entity Arria NLG (UK) Limited (formerly Arria NLG plc), and therefore the going concern assessment is linked to that of Arria NLG (UK) Limited (formerly Arria NLG plc). Full details of the going concern assessment of Arria NLG (UK) Limited (formerly Arria NLG plc) are set out in the financial statements of that company for the year ended 30 September 2017and are included below.

1. *ACCOUNTING POLICIES – CONTINUED*

Going Concern continued

"The Group made a loss before tax of £11.2 million and expects to continue to incur losses in the near term as it invests in developing new markets for its products and secures its position in commercialising Natural Language Generation (NLG). Net current liabilities at balance sheet date were £8.2 million. In the near term, the focus will be on growing revenues in order to achieve profitability and positive operating cash flows.

Since the balance sheet date, £10 million in funds has been raised in the form of convertible loan notes, a bond subscription, revolving credit facility and a working capital facility as detailed in the Strategic Report. £0.9 million has also been received in the form of research and development tax credit refunds.

£2.7 million has been received from convertible loan note subscriptions on similar terms to existing loan notes. An agreement was reached with Nobis Capital Technology Fund Limited on 18 October 2017 to subscribe for US $13 million (£10 million) five-year secured bonds in several tranches over 6 months. £3.3 million has been received under the Nobis agreement since balance sheet date. A further US private offering of up to NZ $25 million (£14 million) is in progress, with US $2.1 million (£1.5 million) received to date and since balance date. A working capital facility of up to US $5 million (£3.8 million) has been provided by a shareholder, with US $1.1 million (£0.82) million since balance date. Under the terms of the agreement, the available facility reduces in line with new capital received by the Company. £0.785 million has been received in the form of an unsecured revolving credit facility.

These funds have been used in operating cash outflows since the balance sheet date and the net current liability position has improved at the date of approving these financial statements. Management have prepared cash flow forecasts and have identified it needs additional funding to enable it to grow to such a position so that it can repay its loan commitments. Management are in the process of raising funding through C Series and if the funding is successful, they expect, based on cash flow forecasts including downside scenarios, be able to grow the Company and repay the loan commitments. If unsuccessful, it will still be able to meet its liabilities as they fall due in the short term, but not meet it future obligation to loan note holders.

The Directors have prepared a business plan and cash flow forecast for the period to 31 March 2020. The forecast contains certain assumptions about future sales, the gross margins achievable, the level of other operating expenses, and the amount of cash received through fundraising. In addition to this business plan, the Directors have considered various downside sensitivities and management actions that could be undertaken to ensure the ongoing operation of the Group and Company. The Group is dependent on further funding to enable it to grow to such a position to enable it to meet its debt repayment due in 1 year. However the majority of the debt is in the form of convertible loan notes of which the group has every expectation will be converted to shares. The Group is in the process of seeking further fundraising in the form of a Series C Raise from a number of sources, to provide adequate working capital to support the ongoing commercialisation of its Natural Language Generation technology, promotion and enhancement of recently launched Arria NLG Studio marketing of the Arria NLG Ecosystem, and enable the Group and Company to continue as a going concern. At the time of approving these financial statements the Series C offering is in progress and discussions with a number of prospective investors are in advanced stages.

1. *ACCOUNTING POLICIES – CONTINUED*

Going Concern continued

The Group is confident of steady revenue growth over the medium term and the successful conclusion of the C Series capital raise over the near term. This will enable the Group to achieve its financial and strategic goals. The Directors are confident in securing sufficient additional funding within the next financial year, for its medium to long term requirements.

Having reviewed the business plan and subject to the uncertainties described above, the Directors have a reasonable expectation that the Group will have adequate resources to continue operating for the foreseeable future. Therefore, the Directors continue to adopt the going concern basis in preparing the financial statements and these financial statements do not include adjustments that would result if the Group and Company were unable to continue as a going concern. Should the C Series fundraising negotiations prove to be unsuccessful, the Group and Company would have all expectation that it could continue to raise sufficient interim funding as it has done in the past.. The Directors have concluded that pending successful agreement of additional funding there exists a material uncertainty which may cast significant doubt over the ability of the Group and Company to continue as a going concern and meet its liabilities as they fall due.."

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of VAT. The group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below.

Revenue relating to software development that is contracted on a time and materials basis is recognised as the services are performed.

Revenue relating to the sale of software licences is based on a fixed charge recognised on a straight-line basis over the period to which the license relates.

Revenue in respect of licences is generally billed in advance. If the amount of revenue recognised exceeds the amounts invoiced to customers, the excess amount is recorded as accrued income within accounts receivable. The excess of licence fees invoiced over revenue recognised is recorded as deferred revenue.

Cash and cash equivalents
Cash and cash equivalent comprise cash in hand, deposits held at call with banks, and other short term highly liquid investments with original maturities of three months or less.

Property, plant and equipment
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Office and Computer Equipment	33% straight line
Lease hold improvements	20% straight line

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

1. ACCOUNTING POLICIES – CONTINUED

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-currentassets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade payables

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 (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Taxation

Income tax expense represents the sum of the current tax and deferred tax charge for the year.

Current tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred income taxes are provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred income taxes are determined using tax rates that have been enacted or substantially enacted and are expected to apply when the related deferred income tax asset is realised or the related deferred income tax liability is settled.

The principal temporary differences arise from depreciation or amortisation charged on assets and tax losses carried forward. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences and unused tax losses can be utilised

1. ACCOUNTING POLICIES - CONTINUED

Research and development
Research expenditure is recognised as an expense when incurred. Costs incurred on development projects are recognised as intangible assets when the following criteria are fulfilled:

- It is technically feasible to complete the intangible asset so that it will be available for use or resale;
- Management intends to complete the intangible asset and use or sell it;
- *There is an ability to use or sell the intangible;*
- It can be demonstrated how the intangible asset will generate possible future economic benefits;
- Adequate technical, financial and other resource to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense in the period incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and are amortised from the point at which they are ready for use on a straight line basis over the asset's estimated useful life.

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

Foreign currencies
(i) Functional and presentational currency
Items included in the Financial Information are measured using the currency of the primary economic environment in which each entity operates ("the functional currency") which is considered by the Directors to be Pounds sterling (£). The Financial Information has been presented in Pounds sterling (£).

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Pension contributions
The Group operates a defined contribution plan and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1. ACCOUNTING POLICIES - CONTINUED

Critical accounting estimates and judgements
The preparation of the financial information in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities. The estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and constitute management's best judgement at the date of the financial information. In the future, actual experience could differ from those estimates.

Further details of estimates and assumptions are set out in each of the relevant accounting policies and detailed notes to the financial information.

The principal judgements made by management that could have a significant impact upon the company's financial results relate to the following:

- the assertions in the preparation of the financial information on a going concern basis as outlined in the basis of preparation;
- the assessment of receivables for impairment as outlined in note 9.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. The Company manages its capital to ensure that it will be able to continue as going concerns while maximising the return to shareholders.

2. REVENUE

Total revenue from activities by geographical area is detailed below:

	2017	2016
	£	£
Revenue derived from the UK	244,388	175,842
Revenue derived from the United States	418,371	645,577
Revenue derived from the Canada	22,051	19,985
Revenue derived from the Australia	49,262	79,656
Revenue derived from the France	15,191	-
Revenue derived from the Korea	99,433	-
Revenue derived from the India	14,476	-
Total Revenue	863,172	921,060

All revenue is derived from one class of business, being software.

3. EMPLOYEES AND DIRECTORS

	2017 Number	2016 Number
The average monthly number of employees during the year were as follows:		
Directors	1	2
Technical	33	35
Administrative	1	1
	35	38
Wages and salaries	1,525,724	1,343,919
Social security costs	134,906	117,552
Other pension Costs	77,947	46,622
	1,738,577	1,508,093

The director of the company is also considered to be key management.

Directors Emoluments

The director's remuneration is met by the parent company, Arria NLG (UK) Limited (formerly Arria NLG plc). The directors did not make an apportionment to the company as they did not feel they have a reliable way of doing so.

4. FINANCE INCOME

	2017 £	2016 £
Interest received	2	30

5. FINANCE EXPENSE

	2017 £	2016 £
Interest paid	2,884	72

6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss before income tax is stated after charging:

	2017 £	2016 £
Research and development (including employee costs)	821,055	406,092
Rent	66,000	49,953
Depreciation – owned assets	23,254	28,190
Amortisation	464,424	139,580

The audit fee for the company is met by its parent company Arria NLG (UK) Limited (formerly Arria NLG plc).

7. TAX ON LOSS ON ORDINARY ACTIVITIES

Analysis of the tax charge

	2017	2016
	£	£
Current tax :		
Research and development tax credit	(812,472)	(480,583)
Income tax credit	(812,472)	(480,583)

Factors affecting the tax charge

During the year, the main corporation tax rate in the UK was 20% to 31 March 2017 and then reduced to 19% from 1 April 2017. Changes to the UK corporation tax rates were announced in the previous year. There will be further reductions to 18% from 1 April 2020 and 17% from 1 April 2020. As these charges had been substantively enacted at the balance sheet date their effects are included in these financial statements.The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2017	2016
	£	£
Loss on ordinary activities before taxation	(4,533,942)	(3,151,780)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2016: 20%)	(861,449)	(630,356)
Deferred tax on losses not recognised	861,449	630,356
Research and development tax credit	812,472	(480,583)
Total income tax credit	**(812,472)**	**(480,583)**
Total unrecognised deferred tax asset	**(2,432,378)**	**1,653,609**

8. PROPERTY, PLANT AND EQUIPMENT

	Office and Computer Equipment	Lease hold improvements	Total
	£	£	£
Cost			
At 1 October 2015	104,634	-	104,634
Additions	46,405	8,347	54,752
At 30 September 2016	151,039	8,347	159,386
At 01 October 2016	151,039	8,347	159,386
Additions	1,081	-	1,081
Disposal	(5,244)	-	(5,244)
At 30 September 2017	**146,876**	**8,347**	**155,223**
Accumulated depreciation			
At 1 October 2015	74,674	-	74,674
Depreciation expense	27,773	417	28,190
At 30 September 2016	**102,447**	**417**	**102,864**
At 01 October 2016	102,447	417	102,864
Depreciation expense	21,585	1,669	23,254
Disposal	(1,310)	-	(1,310)
At 30 September 2017	**122,722**	**2,086**	**124,808**
Carrying amount			
At 01 October 2015	29,960	-	29,960
At 30 September 2016	**48,592**	**7,930**	**56,522**
At 01 October 2016	48,592	7,930	56,522
At 30 September 2017	**24,154**	**6,261**	**30,415**

9. INTANGIBLE ASSETS

Cost	£
At 1 October 2015	418,741
Additions	1,430,949
At 30 September 2016	**1,849,690**
At 1 October 2016	1,849,690
Additions	1,022,392
At 30 September 2017	**2,872,082**
Amortisation	
At 01 October 2015	174,475
Amortisation expense	139,580
At 30 September 2016	**314,055**
At 01 October 2016	314,055
Amortisation expense	464,424
At 30 September 2017	**778,479**
Carrying amount	
01 October 2015	244,266
At 30 September 2016	**1,535,635**
01 October 2016	1,535,635
At 30 September 2017	**2,093,603**

10. TRADE AND OTHER RECEIVABLES

	2017	2016
	£	£
Current:		
Trade receivables	446,355	520,055
VAT recoverable	200,570	163,562
Other debtors and prepayments	118,891	54,250
	765,816	737,867

Disclosure of credit risk

The directors consider that the carrying amount of trade and other receivables approximates to their fair value. The ageing of the trade receivables as at the end of the year is detailed below:

	2017	2016
	£	£
0 to 30 days	177,007	192,725
31 to 60 days	-	-
61 to 90 days	11,550	102,019
Over 90 days	257,798	225,311
	446,355	520,055

In all years presented, trade receivables are fully performing and none were past due but not impaired.

11. CASH AND CASH EQUIVALENTS

	2017	2016
	£	£
Cash at bank	-	56,285
	-	56,285

12. CALLED UP SHARE CAPITAL

Number of shares in issue	2017	2016
Shares in issue at beginning of the year	125	125
Number of shares in issue	125	125

Nominal Value of shares in issue	2017	2016
	£	£
Nominal Value of Shares in issue at beginning of the year	125	125
Value of shares in issue	125	125

13. RESERVES

	Profit and loss account	Share premium account	Total
	£	£	£
At 1 October 2015	(4,562,407)	334,965	(4,227,442)
Loss for the financial year	(2,671,197)	-	(2,671,197)
At 30 September 2016	(7,233,604)	334,965	(6,898,639)
At 1 October 2016	(7,233,604)	334,965	(6,898,639)
Loss for the financial year	(3,721,470)	-	(3,721,470)
At 30 September 2017	(10,955,074)	334,965	(110,620,109)

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Trade creditors	13,065,292	8,888,699
Accruals and deferred income	444,526	396,124
Other creditors		-
	13,509,818	9,284,823

The ageing of the trade payables as at 30 September 2017 is detailed below:

	2017	2016
	£	£
0 to 30 days	1,475,705	5,333,219
31 to 60 days	50,040	2,666,610
61 to 90 days	419,641	888,870
Over 90 days	11,119,906	-
	13,065,292	8,888,699

15. RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDERS DEFICIT

	2017	2016
	£	£
Loss for the financial year	(3,721,470)	(2,671,197)
Net addition to total Shareholders Deficit	(3,721,470)	(2,671,197)
Opening total Shareholders Deficit	(6,898,514)	(4,227,317)
Closing total Shareholders Deficit	(10,619,984)	(6,898,514)

16. ULTIMATE CONTROLLING PARTY

The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Arria NLG (UK) Limited (formerly Arria NLG plc). Copies of the Arria NLG (UK) Limited (formerly Arria NLG plc) consolidated financial statements can be obtained from the Company Secretary at 150 Aldersgate Street, London EC1A 4AB, United Kingdom.

17. RELATED PARTY TRANSACTIONS

The company has undertaken the following transactions with The University Court of the University of Aberdeen, which was a significant shareholder during the year:

	2017	2016
	£	£
Rental of office space	37,750	49,953
Consultancy	264,723	286,650
Total Expenses	302,473	336,603
Amounts outstanding at the end of the year	324,636	230,751

The company has taken advantage of the exemption in FRS 101 not to disclose transactions between wholly owned subsidiaries or between the parent and wholly owned subsidiaries.

18. SUBSEQUENT EVENTS

Nichola Webb was appointed to the board of the Company as a director on 21 August 2018. Sharon Daniels resigned as a Director on 21 August 2018.