Nuxeo Group Limited

Annual report and financial statements

For the year ended 31 December 2017

Registered number: 10721130

Contents

Company information

Directors	E Barroca M S Elias D A Kellogg S R King C Resch
Company number	10721130
Registered office	Unit 5, Green Mews Bevenden Street London N1 6AS
Independent Auditor	Constantin 25 Hosier Lane London EC1A 9LQ

Strategic report

The Directors present their strategic report for Nuxeo Group Limited (the "Company") and its subsidiary undertakings (together referred to as the "Group") for the period ended 31 December 2017.

Principal activity

Nuxeo is a software development company that operates in the Enterprise Content Management ("ECM") and Digital Asset Management ("DAM") space. Its primary product is the Nuxeo Platform, an open source, content management development platform that allows businesses to build ECM, DAM, case management, knowledge management, and other content-centric business solutions.

Nuxeo employs a "software as a service" ("SaaS") business model under which customers purchase a subscription which provides software maintenance, technical support, and access to a cloud-based configuration tool and various plug-ins that enable efficient development of business solutions on the open source Platform. Nuxeo also provides professional services to its subscription customers ranging from training to implementation assistance.

The Group was incorporated in the United Kingdom on 11 April 2017 as part of an overall restructuring. Prior to the restructuring Nuxeo's parent company was domiciled in France.

On 10 May 2017 the Company entered into a share for share exchange with its shareholders which resulted in the Company issuing shares in exchange for the entire share capital of Nuxeo SA. The Company thus became the new ultimate parent Company of the existing Nuxeo SA group.

Following the principles of merger accounting, the results and position of the Group are presented as though the Group headed by the Company had always existed. These financial statements therefore present two years of financial information for the Group, with the comparative period results and position being, in effect, those of the Nuxeo SA group.

The Company results and position presented are those for the period from 11 April 2017 to 31 December 2017, as such there is no comparative financial information.

Business review and financial key performance indicators

The Group's majority shareholder and co-investor provided a second round of equity capital in September 2017 totalling ~$9.0 million ("Series B"), bringing their total equity investment since 2016 to ~$17.8 million.

This capital infusion fuelled significant investment in the Group's global sales and marketing organizations in order to put the revenue generating infrastructure in place to drive annual recurring revenue growth.

Further financing subsequent to the year-end date has been provided to the Group (see note 19).

Although the Group did not expect to be profitable in 2017 while it ramped up its sales and marketing organizations, operating losses were significantly worse than expected primarily due to a one-time charge of ~$8.5 million resulting from litigation brought against it by a competitor. That litigation was settled in the fall of 2017.

Strategic report

Sales and operating results are as follows for 2017 and 2016:

		2017	2016
		$'000	$'000
Revenue	+ 47 %	16,861	11,454
Gross profit	+ 51 %	12,910	8,565
Operating loss	- 584 %	(18,691)	(2,731)

The Group expects to continue operating with the same business model in 2018; however, in the absence of non-recurring costs, expects to perform more closely with its financial plan, with a view to returning a profit in a timeframe acceptable to its investors.

Principal risks and uncertainties facing the business

The Board of Directors (the "Board") maintains responsibility for monitoring financial risk management. The Board considers that the key business risks and uncertainties facing the Group are its unproven ability to 1) effectively capture market share against entrenched competition and 2) successfully adapt to rapid organizational change resulting from outside investment in order to achieve consistent, sustainable revenue growth.

Approval

This report was approved by the Board on and signed on its behalf by:

E Barroca
CEO and Director
30 July 2018

Directors' report (continued)

The Directors present their report on the affairs of the Group, together with the audited financial statements and auditors report for the year ended 31 December 2017.

Details of significant events since the balance sheet date are included in note 26 to the financial statements.

Results and dividends

The loss for the period, after taxation, amounted to $20,056 (2016: $2,687). No dividends were paid during the period.

Directors

The Directors of the Company set out below held office during the period from the date of incorporation to the date of this report, except as stated:

E Barroca	appointed 11 April 2017
M S Elias	appointed 10 May 2017
D A Kellogg	appointed 10 May 2017
S R King	appointed 10 May 2017
C Resch	appointed 11 April 2017

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Directors have elected to prepare the Company financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Standards (United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 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 and profit or loss of the Group and 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 accounting estimates that are reasonable and prudent;
- for the group financial statements, state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- for the Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The Directors are responsible for keeping adequate accounting records which are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' report (continued)

They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Qualifying third party indemnity provisions

As permitted by the Articles of Association, the Directors have the benefit of an indemnity subject to the provisions of the Companies Act 2006.

Going concern

The Directors have received confirmation that the Company's majority shareholder, ELQ Investors VIII Ltd, will continue to support the Company and provide it with adequate funds when necessary to enable it to meet its debts as they fall due for a period of at least one year following the signing of these accounts. On this basis, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

Future developments

Commentary on the future developments of the Group has been set out in the Strategic Report.

Statement as to disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as that Director is aware, there is no audit information which should have been made available to the Group's auditor and has not been; and
- that Director has taken all the steps that ought to have been taken as a Director to establish information that might be needed by the Group's auditor in connection with preparing their report and to pass on that information to the Group's auditor.

Auditor

The auditor will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board on and signed on its behalf by:

E Barroca
CEO and Director
30 July 2018

Independent auditor's report to the members of Nuxeo Group Limited

Opinion

In our opinion:

- the financial statements of Nuxeo Group Limited (the "Company") and its subsidiaries (the "Group") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2017 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and Company statements of financial position;
- the consolidated and Company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 27.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or

Independent auditor's report to the members of Nuxeo Group Limited (continued)

- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the members of Nuxeo Group Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company 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 respect of these matters.

Use of our report

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.

P. Smith

Peter Smith (Senior statutory auditor)

For and on behalf of Constantin

Chartered Accountants and Statutory Auditor
25 Hosier Lane
London
EC1A 9LQ
30 July 2018

Consolidated statement of comprehensive income

For the year ended 31 December 2017

Continuing operations	Note	2017 $'000	2016 $'000
Revenue	4	16,861	11,454
Cost of sales		(3,951)	(2,889)
Gross profit		12,910	8,565
Administrative expenses		(23,081)	(11,296)
Operating loss before litigation		(10,171)	(2,731)
Litigation expenses	5	(8,520)	-
Operating loss after litigation	5	(18,691)	(2,731)
Financial expense	6	(114)	(49)
Foreign currency gains and losses		(1,277)	106
Loss on ordinary activities before taxation		(20,082)	(2,674)
Tax	9	26	(13)
Loss for the year from continuing operations		(20,056)	(2,687)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		1,344	459
Items that will not subsequently be reclassified to profit or loss:			
Actuarial movement on defined benefit pension scheme	22	38	(29)
Total comprehensive income for the year		(18,674)	(2,257)

The notes on pages 16 to 45 form part of these financial statements.

Consolidated statement of financial position

As at 31 December 2017

	Note	2017 $'000	2016 $'000
Non-current assets			
Intangible assets	11	99	87
Property, plant and equipment	12	219	221
Financial assets	13	449	79
Other long-term asset	26	653	-
		1,420	387
Current assets			
Trade and other receivables	14	9,373	5,028
Cash and cash equivalents		2,101	7,050
Current tax assets		285	230
		11,759	12,308
Total assets		13,179	12,695
Current liabilities			
Trade and other payables	15	17,392	7,876
Current tax liabilities		592	427
Provisions	17	582	383
		18,566	8,686
Non-current liabilities			
Borrowings	16	-	34
Defined benefit pension liability	22	294	245
		294	279
Total liabilities		18,860	8,965
Net (liabilities)/assets		(5,681)	3,730
Capital and reserves			
Share capital	19	357	-
Share premium		9,041	-
Merger reserve		16,412	16,712
Translation reserve		2,908	1,564
Retained earnings		(34,399)	(14,546)
Total equity		(5,681)	3,730
Total equity and liabilities		13,179	12,695

These financial statements were approved by the Board and signed on its behalf by:

E Barroca
CEO and Director
30 July 2018

The notes on pages 16 to 45 form part of these financial statements.

Company statement of financial position

As at 31 December 2017

	Note	2017 £'000
Non-current assets		
Investment in subsidiary undertakings	10	31,386
Current assets		
Trade and other receivables	14	7,857
Total assets		39,243
Current liabilities		
Trade and other payables	15	431
Non-current liabilities		
Borrowings	16	6,198
Total liabilities		6,629
Net assets		32,614
Capital and reserves		
Share capital	19	275
Share premium		7,554
Merger reserve		24,865
Retained earnings		(80)
Total equity		32,614
Total equity and liabilities		39,243

The Company's loss for the period was £207,000.

These financial statements were approved by the Board and signed on its behalf by:

E Barroca
CEO and Director
30 July 2018

The notes on pages 16 to 45 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2017

	Share capital $'000	Share premium $'000	Merger reserve $'000	Translation reserve $'000	Retained earnings $'000	Total $'000
As at 1 January 2016	-	-	8,056	1,105	(12,019)	(2,858)
Profit for the year	-	-	-	-	(2,687)	(2,687)
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	-	-	459	-	459
Actuarial movement on the defined benefit scheme	-	-	-	-	(29)	(29)
Total comprehensive income	-	-	-	459	(2,716)	(2,257)
Issue of new shares by former parent	-	-	8,656	-	-	8,656
Share-based payment transaction by former parent	-	-	-	-	189	189
At 31 December 2016	-	-	16,712	1,564	(14,546)	3,730
Loss for the year	-	-	-	-	(20,056)	(20,056)
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	-	-	1,344	-	1,344
Actuarial movement on defined benefit scheme	-	-	-	-	38	38
Total comprehensive income	-	-	-	1,344	(20,018)	(18,674)
Issue of new shares as part of group reorganisation	300	-	(300)	-	-	-
Issue of new shares	57	9,041	-	-	-	9,098
Share-based payment	-	-	-	-	165	165
At 31 December 2017	357	9,041	16,412	2,908	(34,399)	(5,681)

Share capital represents the nominal value of shares that have been issued, and the excess of the amount paid for the shares issued over their nominal value is recorded within share premium.

The notes on pages 16 to 45 form part of these financial statements.

Consolidated statement of changes in equity (continued)

For the year ended 31 December 2017

The merger reserve arose on the application of merger accounting in the consolidated financial statements and represents the difference between the share capital issued in the share for share exchange and the carrying value of the net assets acquired.

The translation reserve represents exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currency into the presentation currency of the Group.

Retained earnings represents the cumulative profits and losses recognised in the income statement together with any transfers from other reserves.

The notes on pages 16 to 45 form part of these financial statements.

Company statement of changes in equity

For the period ended 31 December 2017

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Loss for the period	-	-	-	(207)	(207)
Share-based payment	-	-	-	127	127
Total comprehensive income	-	-	-	(80)	(80)
Issue of new shares	275	7,554	24,865	-	32,694
At 31 December 2017	275	7,554	24,865	(80)	32,614

Share capital represents the nominal value of shares that have been issued, and the excess of the amount paid for the shares issued over their nominal value is recorded within share premium.

The merger reserve represents the difference between the fair value of the shares issued and the nominal value of the shares issued where the conditions for merger relief have been met.

Retained earnings represents the cumulative profits and losses recognised in the income statement together with any transfers from other reserves.

The notes on pages 16 to 45 form part of these financial statements.

Consolidated cash flow statement

For the year ended 31 December 2017

		2017 $'000	2016 $'000
Cash flow from operating activities			
Loss after taxation from continuing operations		(20,056)	(2,687)
Adjustment for:			
Depreciation	12	78	86
Defined benefit pension expense	22	51	49
Share-based payment expense		165	189
Tax charge	9	(26)	13
Gain on disposal of property plant and equipment		91	-
Changes in working capital:			
Increase in trade and other receivables		(4,345)	(1,482)
Increase in trade and other payables		9,516	1,279
Movement in provisions		199	111
Taxation		136	28
Net cash used in operating activities		(14,191)	(2,414)
Cash flow from investing activities			
Addition to property, plant and equipment	12	(157)	(175)
Addition to intangible assets	11	-	(87)
Increase in other long-term assets		(1,023)	18
Net cash used in investing activities		(1,180)	(244)
Cash flow from financing activities			
Issue of new shares		9,098	-
Issue of new shares by former parent		-	8,656
Repayment of bank borrowings	23	(34)	(106)
Net cash generated from financing activities		9,064	8,550
(Decrease)/increase in cash and cash equivalents		(6,307)	5,892
Cash and cash equivalents at beginning of the year		7,050	692
Effect of foreign exchange rate movements		1,358	466
Cash and cash equivalents at end of year		2,101	7,050

The notes on pages 16 to 45 form part of these financial statements.

Notes to the financial statements

For the year period 31 December 2017

1 Accounting policies

1.1 General information

Nuxeo Group Limited is a limited company incorporated in the United Kingdom on 11 April 2017. The address of its registered office and principal place of business is Unit 5, Green Mews, Bevenden Street, London, N1 6AS.

The principal activity of the Group during the period was business software development. The principal activity of the Company was that of a holding company.

The financial statements of the Company have been presented in Pound Sterling which is functional currency of the Company and rounded to the nearest thousand. The Group financial statements have been presented in US Dollars as the majority of the Group's transactions are denominated in US Dollars and rounded to the nearest thousand.

1.2 Basis of preparation

The consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2017.

Unless otherwise stated the acquisition method of accounting has been applied. Under this method, subsidiaries are included from the date of acquisition. Subsidiaries disposed of are included in the consolidation up to the date that control passes to a third party.

On 10 May 2017 the Company entered into a share for share exchange with its shareholders which resulted in the Company issuing shares in exchange for the entire share capital of Nuxeo SA. The Company thus became the new ultimate parent Company of the existing Nuxeo SA group. This transaction meets the definition of a group reconstruction, and as such, in the consolidated financial statements of the newly formed group, the transaction has been accounted for using the merger method of accounting. Under this method the results and position of the group are presented as though the group headed by the Company had always existed. The comparative period results and position presented are, in effect, those of the Nuxeo SA group.

Where necessary, adjustments have been made to the accounting policies of the subsidiaries to ensure uniformity of accounting in the consolidated financial statements. Intra-group sales, profits and balances are eliminated fully on consolidation.

As permitted by Section 408, Companies Act 2006, the separate income statement of the holding company is not presented as part of these financial statements.

1.3 Basis of measurement

The financial statements have been prepared on the historical cost basis.

1.4 Statement of compliance

The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and in accordance with the applicable provisions of the Companies Act 2006.

The Company financial statements have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101") and the Companies Act 2006.

Notes to the financial statements (continued)

For the period ended 31 December 2017

1 Accounting policies (continued)

The preparation of financial statements in compliance with IFRS and FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the group's accounting policies (see note 2).

FRS 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 *Financial Instruments: Disclosures;*
- the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement;*
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 *Presentation of Financial Statements;*
- the requirements of IAS 7 *Statement of Cash Flows;*
- the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors;*
- the requirements of paragraph 17 and 18A of IAS 24 *Related Party Disclosures;*
- the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets.*

1.5 Going concern

The Directors have received confirmation that the Company's majority shareholder, ELQ Investors VIII Ltd, will continue to support the Company and provide it with adequate funds when necessary to enable it to meet its debts as they fall due for a period of at least one year following the signing of these accounts. On this basis, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

1.6 Revenue

The Group generates revenue from two sources: the sale of (1) subscriptions which provide customers software maintenance, technical support, and access to a cloud-based configuration tool and various plug-ins that enable efficient development of business solutions on the Group's open source platform; and (2) professional services sold to its subscription customers ranging from training to implementation assistance.

Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether the revenue recognition criteria have been met.

Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Notes to the financial statements (continued)

For the period ended 31 December 2017

1 Accounting policies (continued)

In most instances, revenue from customers is generated from the initial sale and subsequent renewal of subscriptions.

Sometimes customers will make additional arrangements with the Group for professional consultation services. Subscriptions have standalone value because they are routinely sold separately by the Group. Professional services have standalone value because the Group sells professional services separately and there are several third-party vendors that provide similar professional services to its customers on a standalone basis.

Deferred revenue
Deferred revenue primarily consists of billings or payments received in advance of revenue recognition from the Group's subscription and professional services, which are recognised as the revenue recognition criteria are met. The Group generally invoices its customers for subscriptions in annual or quarterly instalments. Professional services are either invoiced in advance, invoiced in instalments, or invoiced as the services are performed.

1.7 Goodwill
Goodwill is initially measured as the excess of the sum of the consideration transferred over the fair value of the net assets acquired. Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The Group has selected 31 December as the date to perform the annual impairment testing of goodwill. No impairment charges have been recorded in the year ended 31 December 2017 or since inception. The disclosure requirements set out in IAS 36 *Impairment of Assets* have not been provided in these financial statements due to the immaterial carrying value of goodwill at the year-end date.

1.8 Acquired computer software
Acquired computer software is recognised as an asset only if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The cost of acquired computer software comprises the purchase price plus any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. After recognition acquired computer software is carried at costs less any accumulated amortisation and any accumulated impairment losses.

Amortisation is provided at rates calculated to write down the cost of assets, less estimated residual value, over their expected useful lives, this being 3 years.

1.9 Development costs
The Group undertakes development activities which are focussed on enhancing performance and improving the efficiency of the services delivered to clients. Currently, all development costs, principally headcount-related costs, are expensed as incurred as management has determined that technological feasibility is reached shortly before the product is available for release to customers.

Notes to the financial statements (continued)

For the period ended 31 December 2017

1 Accounting policies (continued)

1.10 Property, plant and equipment

Property, plant and equipment is recognised as an asset only if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The cost of an item of property, plant and equipment comprises the purchase price plus any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. After recognition, all property, plant and equipment are carried at costs less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided at rates calculated to write down the cost of assets, less estimated residual value, over their expected useful lives on the following basis:

Computer hardware	1 – 3 years, straight line
Office equipment	1 – 5 years, straight line
Leasehold improvements	5 – 7 years, straight line

1.11 Impairment of non-financial assets

Individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset is impaired when its carrying amount exceeds its recoverable amount. The recoverable amount is measured as the higher of fair value less cost of disposal and value in use. The value in use is calculated as being net projected cash flows based on financial forecasts discounted back to present value.

The impairment loss is allocated to reduce the carrying amount of the asset, first against the carrying amount of any goodwill allocated to the cash-generating unit, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

1.12 Financial instruments

Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value plus directly attributable transaction costs.

All financial assets are classified as loans and receivables; these comprise trade and other receivables (excluding prepaid commissions and prepaid expenses) and cash and cash equivalents. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account.

Notes to the financial statements (continued)

For the period ended 31 December 2017

1 Accounting policies (continued)

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and reward are transferred.

Financial liabilities
Financial liabilities include borrowings and trade and other payables (excluding deferred income).

Financial liabilities are obligations to pay cash or other financial assets and are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognised at fair value adjusted for any directly attributable transaction costs.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

1.13 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

1.14 Taxation

Current income tax liabilities and/or assets comprise obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid/due at the reporting date. Current tax is payable on taxable profits, which may differ from profit or loss in the financial statements. Calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). However, for deductible temporary differences associated with investments in subsidiaries a deferred tax asset is recognised when the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are set off only where the Group has a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the financial statements (continued)

For the period ended 31 December 2017

1 Accounting policies (continued)

1.15 Foreign currencies

Transactions in foreign currencies are translated into the functional currencies of the respective operations at the spot exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at each reporting date are translated into the functional currency at the spot exchange rates as at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. These foreign currency differences arising on translation are recognised in profit or loss.

On consolidation, the assets and liabilities of foreign subsidiaries are translated into US Dollars at the rate of exchange prevailing at the reporting date and their statements of comprehensive incomes are translated at the average exchange rates for the period. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign subsidiary, the component of other comprehensive income relating to that particular foreign subsidiary is recognised in other comprehensive income.

1.16 Share-based payments

The Company issues equity-settled share options to certain employees within the Group. Equity-settled share-based payment transactions are measured at fair value at the date of the grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

1.17 Employee benefits

Short-term benefits

Short-term benefits, including holiday pay and other similar benefits, are recognised as an expense in the period in which the service is received. An accrual is recognised for short-term compensated absences where entitlement has accumulated, but has not been taken, at the reporting date.

Defined contribution pension scheme

Obligations for contributions to the defined contribution pension scheme are charged to profit or loss in the period to which the contributions relate.

Defined benefit pension scheme

The defined benefit pension liability recognised in the statement of financial position in respect of the defined benefit pension scheme is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is assessed using the projected unit of credit method and reviewed annually by independent actuaries.

Service costs are charged to profit or loss so as to spread the costs over the service lives of employees.

Remeasurements of the net defined benefit obligation are recognised through other comprehensive income in the period in which they occur. Remeasurement of the net defined benefit obligation recognised in other comprehensive income is not reclassified to profit or loss in a subsequent period.

Notes to the financial statements (continued)

For the period ended 31 December 2017

1 Accounting policies (continued)

1.18 Lease arrangements

Payments made under operating lease arrangements are charged to profit or loss on a straight-line basis over the lease term. Benefits receivable as operating lease incentives are recognised within profit or loss on a straight-line basis over the lease term.

Notes to the financial statements (continued)

For the period ended 31 December 2017

2 Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The Directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

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, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

2.1 Critical judgements in applying the Group's accounting policies

The following significant management judgements have been made in applying the accounting policies of the Group which have the most effect on the financial statements.

Recognition of deferred tax assets
Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

2.2 Key sources of estimation uncertainty

The following estimates and assumptions have been applied in preparing the financial statements which have the most significant effect on the recognition of assets, liabilities, income and expenses.

Determining residual values and useful economic lives of fixed assets
Property, plant and equipment are depreciated over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Determining the carrying value of provisions
The provision recorded in the financial statements is management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time. The estimate of outcome and financial effect are determined by the judgement of the management of the entity, supplemented by experience of similar transactions, and in some cases, reports from independent experts.

Recoverability of receivables
The Group establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability management considers factors such as the aging of the receivable, past experience of recoverability, and the customer's credit profile.

Notes to the financial statements (continued)

For the period ended 31 December 2017

3 Adoption of new and revised standards

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and (in some cases) have not yet been adopted by the EU:

	EU effective date – periods beginning on or after
IAS 19 *Employee Benefits: Amendment in relation to plan amendment, curtailment or settlement*	Expected to be endorsed 1 January 2019
IAS 28 *Investments in Associates and Joint Ventures: Amendment in relation to Long-term Interests in Associates and Joint Ventures*	Expected to be endorsed 1 January 2019
IAS 40 *Investment Property: Amendment in relation to transfers of investment property*	1 January 2018
IFRS 2 *Share-based Payment: Amendment in relation to classification and measurement of share-based payment transactions*	1 January 2018
IFRS 4 *Insurance Contracts: Amendment in relation to applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*	1 January 2018
IFRS 9 *Financial Instruments*	1 January 2018
IFRS 9 *Financial Instruments: Amendment in relation to Prepayment features with negative compensation*	1 January 2019
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018
IFRS 16 *Leases*	1 January 2019
Annual Improvements to IFRSs (2014 - 2017)	1 January 2018
Annual Improvements to IFRSs (2016 - 2017)	Expected to be endorsed 1 January 2019
Conceptual Framework (Revised) and amendments to related references in IFRS Standards	Expected to be endorsed 1 January 2020
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
IFRIC 23 *Uncertainty over Income Tax Treatments*	Expected to be endorsed 1 January 2019

With the exception of IFRS 9, IFRS 15 and IFRS 16, the adoption of the above-mentioned standards, amendments and interpretations in future years are not expected to have a material impact on the Group's financial statements. Management is still in the process of assessing the impact that the adoption of IFRS 9, IFRS 15 and IFRS 16 will have on the financial statements.

Notes to the financial statements (continued)

For the period ended 31 December 2017

4 Revenue

An analysis of revenue by class of business is as follows:

	2017 $'000	2016 $'000
Subscriptions	12,960	9,185
Professional services	3,901	2,265
Other	-	4
	16,861	11,454

An analysis of revenue by geographical markets:

	2017 $'000	2016 $'000
UK	386	-
Rest of Europe	6,685	5,325
Rest of World	9,790	6,129
	16,861	11,454

5 Operating loss

The operating loss is stated after charging:

	2017 $'000	2016 $'000
Research and development expenditure	4,690	3,148
Depreciation and amortisation	78	86
Operating lease expenses	592	331
Litigation expense	8,520	-
Auditor remuneration		
Fees payable for the audit of the annual financial statements	112	83
Fees payable to the company's auditor and its associates for other services:		
- The audit of the subsidiary financial statements	25	15
- Services relating to corporate finance transactions	-	7
	137	105

The litigation expense represents a one-time charge resulting from a claim brought against it by a competitor.

Notes to the financial statements (continued)

For the period ended 31 December 2017

6 Financial expense

	2017 $'000	2016 $'000
Interest payable	32	45
Other financial expenses	82	4
	114	49

7 Staff costs

The average monthly number of employees (including executive Directors) of the Group was:

	2017	2016
Research and development	44	43
Professional services	14	10
Customer support	5	4
Marketing	10	7
Sales	28	19
General and administration	14	9
	115	92

Their aggregate remuneration comprised:

	2017 $'000	2016 $'000
Wages and salaries	13,496	6,816
Social security costs	3,099	1,973
Pension costs	868	679
	17,463	9,468

The Company does not have any employees.

Notes to the financial statements (continued)

For the period ended 31 December 2017

8 Remuneration of Directors and key management personnel

Key management personnel, which includes the Directors of the Company, aggregate remuneration comprised:

	2017	2016
	$'000	$'000
Remuneration:		
Emoluments	1,634	1,286
Pension contributions	6	21
Share-based payment	90	-
	1,730	1,307

Directors' aggregate remuneration comprised:

	2017	2016
	$'000	$'000
Remuneration:		
Emoluments	474	509
Pension contributions	-	13
Share-based payment	30	-
	504	522

The highest paid Director's remuneration comprised:

	2017	2016
	$'000	$'000
Remuneration:		
Emoluments	434	496
Pension contributions	-	13
	434	509

The highest paid Director did not receive any benefits in respect of share-based payments.

Notes to the financial statements (continued)

For the period ended 31 December 2017

9 Taxation

The tax charge recognised in profit comprises:

	2017	2016
	$'000	$'000
Current tax		
Tax (credit)/charge on result for the year	(26)	13

Tax on profit on ordinary activities for the year is the standard rate of corporation tax in the UK of 19%. The differences are reconciled below:

	2017	2016
	$'000	$'000
Loss on ordinary activities before taxation	(20,082)	(2,674)
Tax (credit) calculated at 19% (2016: 20%)	(3,816)	(535)
Effects of:		
Tax effect of expenses that are not deductible in determining taxable profit	882	99
Tax effect of income not taxable in determining taxable profit	(980)	(64)
Unrecognised deferred tax asset	4,379	709
Utilisation of unrecognised tax losses	-	(227)
Effect of overseas tax rate	(534)	10
Effect of change in tax rate	28	-
State and local tax	4	-
Other	11	21
Total tax	(26)	13

At the reporting date the Group had unrecognised deferred tax assets in respect of unutilised tax losses carried forward of $7,099k (2016: $2,720k).

The UK corporation tax rate will be reduced from 20% to 19% with effect from 1 April 2017 and will be further reduced from 19% to 17% with effect from 1 April 2020.

Notes to the financial statements (continued)

For the period ended 31 December 2017

10 Investments in subsidiary undertakings

	2017 £'000
Cost and carrying value	
Additions	31,386
At 31 December 2017	31,386

Details of the Company's subsidiaries at 31 December 2017 are as follows:

Name	Country of incorporation	Registered office address	Principal activity	Holding
Nuxeo S.A.S.	France	46, rue Rene Clair 75892 Paris Cedex 18	Technology	100%
Nuxeo Corporation	United States of America	134 N 4th Street, Brooklyn, NY 11249	Technology	100%
Nuxeo Limited	United Kingdom	Unit 5, Green Mews Bevenden Street, London N1 6AS	Technology	100%
Nuxeo LDA[1]	Portugal	Nuxeo LDA, Polo Tecnológico de Lisboa, Rua Antonio Champalimaud, Lote 1 1600-546 Lisboa	Technology	100%
Nuxeo 10 Jay St. LLC*	United States of America	134 N 4th Street, Brooklyn, NY 11249	Dormant	100%

[1] Held indirectly through Nuxeo S.A.S
*This limited liability company was formed in 2017 for the purpose of entering into the property lease in respect of 10 Jay St., Brooklyn, NY. The company has not transacted monetarily in the current or prior period.

Notes to the financial statements (continued)

For the period ended 31 December 2017

11 Intangible assets

	Goodwill $'000	Acquired computer software $'000	Total $'000
Cost			
At 1 January 2016	-	12	12
Additions	87	-	87
Exchange rate movements	-	(1)	(1)
At 1 January 2017	87	11	98
Additions	-	-	-
Disposals	-	-	-
Exchange rate movements	12	1	13
At 31 December 2017	99	12	111
Amortisation and impairment			
At 1 January 2016	-	(12)	(12)
Amortisation	-	-	-
Exchange rate movements	-	1	1
At 1 January 2017	-	(11)	(11)
Amortisation	-	-	-
Disposals	-	-	-
Exchange rate movements	-	(1)	(1)
At 31 December 2017	-	(12)	(12)
Carrying value			
At 31 December 2017	99	-	99
At 31 December 2016	87	-	87

On 30 June 2016, the Group indirectly acquired the entire share capital of Nuxeo LDA through Nuxeo S.A.S. Goodwill arising from this acquisition amounted to $87,000.

Impairment tests indicated that no impairment needs to be recognised in 2016 and 2017 respectively.

Notes to the financial statements (continued)

For the period ended 31 December 2017

12 Property, plant and equipment

	Computer hardware $'000	Office equipment $'000	Leasehold improvements $'000	Total $'000
Cost				
At 1 January 2016	267	66	38	371
Additions	157	18	-	175
Exchange rate movements	7	(4)	(2)	1
At 1 January 2017	431	80	36	547
Additions	157	-	-	157
Disposals	(150)	(45)	-	(195)
Exchange rate movements	32	5	5	42
At 31 December 2017	470	40	41	551
Depreciation and impairment				
At 1 January 2016	(180)	(34)	(17)	(231)
Depreciation	(75)	(6)	(5)	(86)
Exchange rate movements	(9)	(1)	1	(9)
At 1 January 2017	(264)	(41)	(21)	(326)
Depreciation	(71)	(3)	(4)	(78)
Disposals	89	15	-	104
Exchange rate movements	(26)	(2)	(4)	(32)
At 31 December 2017	(272)	(31)	(29)	(332)
Carrying value				
At 31 December 2017	198	9	12	219
At 31 December 2016	167	39	15	221

Notes to the financial statements (continued)

For the period ended 31 December 2017

13 Financial assets

Group

	2017 $'000	2016 $'000
Financial assets	449	79
	449	79

Financial assets comprise property lease deposits which are held at amortised cost. These balances do not attract interest, however, interest has not been imputed on these balances as, in the opinion of the Directors, the effect of discounting is not material.

14 Trade and other receivables

Group	2017 $'000	2016 $'000
Trade receivables	5,943	3,680
Other receivables	94	112
Prepaid commissions	1,157	587
Prepaid expenses	1,106	649
Unpaid share capital	1,073	-
	9,373	5,028

The Group records accounts receivable at invoiced amounts, net of allowance for doubtful accounts. The Group maintains allowances for doubtful accounts for specific known losses and estimated losses resulting from the inability of its customers to make required payments. The allowance includes bad debt for specific estimated losses due to a customer's inability to make payment and revenue reserves where the Group has determined that a probable loss specific to a customer has occurred due to items such as a contract dispute. In assessing the recoverability of these receivables, the Group evaluates its allowances based on historical losses and current information available.

Movement in the allowance for doubtful debts

	2017 $'000	2016 $'000
Balance at the beginning of the year	-	45
Impairment losses recognised	91	16
Amounts written off in the year	(7)	(61)
Balance at the end of the year	84	-

Notes to the financial statements (continued)

For the period ended 31 December 2017

14 Trade and other receivables (continued)

The below analysis shows the aging of trade receivables:

	Current	< 30 days past due $'000	30 – 60 days past due $'000	60 – 90 days past due $'000	> 90 days past due $'000	Total $'000
2017	4,305	754	454	38	392	5,943
2016	2,841	709	130	-	-	3,680

Company

	2017 £'000
Amounts due from subsidiary undertakings	6,885
Prepaid expenses and other current assets	146
Unpaid share capital	826
	7,857

Refer to note 25 for further details in respect of amounts due from subsidiary undertakings.

15 Trade and other payables

Group

	2017 $'000	2016 $'000
Trade payables	6,349	762
Accrued compensation and social charges payable	2,416	1,223
Deferred income	8,352	5,886
Other current liabilities	275	5
	17,392	7,876

Company

	2017 £'000
Trade payables	160
Amounts due to subsidiary undertakings	271
	431

Refer to note 25 for further details in respect of amounts due to subsidiary undertakings.

Notes to the financial statements (continued)

For the period ended 31 December 2017

16 Borrowings

Group

	2017 $'000	2016 $'000
Oseo loan	-	34
	-	34

The Oseo loan was a public R&D allowance granted by French Public Investment Bank (BPI, previously named OSEO) at a 0% interest rate. The loan was repaid in full in the current reporting period.

Company

	2017 £'000
Amounts due to subsidiary undertakings	6,198
	6,198

Refer to note 25 for further details in respect of amounts due to subsidiary undertakings.

17 Provisions

Group

	Research tax credit $'000	Employee litigation $'000	Total $'000
At 1 January 2016	225	47	272
Increase in provision	111	-	111
At 31 December 2016	336	47	383
Increase in provision	246	-	246
Utilisation of provision	-	(47)	(47)
At 31 December 2017	582	-	582

As a result of a tax audit performed on the research tax credits taken in 2012, a portion of the tax credits were disallowed. Although a final decision from the tax authorities has yet to be reached, a full provision for the disallowed portion been established. In addition, similar provisions were established for subsequent years' research tax credits. The provision is expected to unwind following the final decision from the tax authority, the date of which is unknown.

In 2016 a provision was established for litigation costs associated with a former employee. In 2017, a court decision resulted in the Group's favour and the provision was eliminated.

Notes to the financial statements (continued)

For the period ended 31 December 2017

18 Financial instruments

Group

The Group's financial instruments are classified as follows:

	2017 $'000	2016 $'000
Cash and cash equivalents	2,101	7,050
Financial assets classified as loans and receivables and measured at amortised cost:		
Financial assets: property lease deposits	449	79
Other long-term asset	653	-
Trade receivables	5,943	3,680
Other receivables	94	112
Unpaid share capital	1,073	-
	10,313	10,921
Financial liabilities classified as loans and receivables and measured at amortised cost:		
Trade payables	6,349	762
Accrued compensation and social charges payable	2,416	1,223
Other current liabilities	275	5
Borrowings	-	34
	9,040	2,024

The Directors consider that the carry value of the Group's financial instruments materially approximates their fair value.

Notes to the financial statements (continued)

For the period ended 31 December 2017

18 Financial instruments (continued)

Financial instrument risk

The Group is exposed to the following financial risks in the course of its operating and financing activities:
- Credit risk;
- Liquidity risk;
- Interest-rate risk; and
- Foreign exchange risk.

Credit risk

Credit risk is the risk that a counterparty to the Group's financial instruments will cause a loss to the Group through failure to perform its obligations. The key areas of exposure to credit risk for the Group results through its bank deposits, property lease deposits and trade receivables. The Group's maximum exposure to credit risk is the carrying amount of its financial assets, as presented in the table above.

The Group's policy is to place its cash and cash equivalents on deposit primarily in high credit quality instruments in financial institutions in the United States and France, and to a lesser extent in Portugal.

The Group provides unsecured credit to its customers in the normal course of business. The impact of this is mitigated through the operation of controls in this area, such as the performance of customer credit checks and close monitoring of the aging of trade receivables. Further analysis in respect of trade receivables is set out in note 14.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. The Group manages liquidity by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of assets and liabilities.

With the exception of borrowings, all of which were repaid during the current year, all of the Group's financial liabilities are contractually due within one year – as such a liquidity analysis has not been presented.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The Group is exposed to the risk of interest rate fluctuations in respect of cash and cash equivalents that attract variable rates of interest.

Sensitivity analysis – interest rates

The sensitivity analysis has been determined based on the exposure to floating interest rate instruments at the end of the reporting year. The analysis is prepared assuming the amount of the consolidated balance at the end of the reporting year was the balance for the whole year. A 1% increase or decrease in interest rates would lead to an increase or decrease in profit and equity of £6,000 (2016: £2,000).

Notes to the financial statements (continued)

For the period ended 31 December 2017

18 Financial Instruments (continued)

Currency risk

Currency risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The companies manage currency risk by ensuring that exchange rate exposures are managed within approved policy parameters.

The Group holds both assets and liabilities denominated in currencies other than the individual reporting entities' local currencies. It is therefore exposed to currency risk as the value of the foreign currency assets and liabilities will fluctuate in line with changes in foreign exchange rates.

The table below illustrates the sensitivity analysis of the Group's reported profit to a 10% increase or decrease in the respective foreign exchange rates to which they are exposed. The sensitivity analysis is calculated on balances outstanding at the year end, with all other variables held constant.

	2017 $'000	2016 $'000
If Pound sterling increased against Euro	(21)	-
If Pound sterling increased against US dollar	(17)	-
If Euro increased against US dollar	(337)	622

Notes to the financial statements (continued)

For the period ended 31 December 2017

19 Share capital

Group and Company

The Company concluded several rounds of equity financing during the period ended 31 December 2017, as follows:

- In May the Company issued 21,549,700 A preferred shares for a gross amount of $31,417k;
- In May the Company issued 5,925,600 Ordinary shares for a gross amount of $2,076k;
- In September the Company issued 415,000 Ordinary shares for a gross amount of $125k; and
- In October the Company issued 4,493,248 B preferred share for a gross amount of $8,974k;

At the reporting date the share capital in issue was:

	Group 2017 $'000	Company 2017 £'000
Called-up share capital		
6,340,600 Ordinary shares of €0.01 each	69	54
21,549,700 A preferred shares of €0.01 each	235	182
4,493,248 B preferred shares of €0.01 each	53	39
	357	275

The holders of Ordinary shares, A preferred shares and B preferred shares are each are entitled to one vote per share. No shares are redeemable or carry rights to a fixed income.

Any profits available for distribution by the Company or any return of assets shall be applied in the following manner and order of priority:

- First, in paying to the holder of each B preferred share an amount equal to the issue price in respect of their B preferred shares;
- Second, in paying to the holder of each A preferred share an amount equal to the issue price in respect of their A preferred shares; and
- Third, in paying to the holder the balance pro-rata to the number of shares, irrespective of the class of share.

Subsequent to the reporting date the Company concluded a further round of equity financing via the issue of 2,814,823 C preferred shares for a gross amount of $8,319k.

20 Capital management

Capital risk management
The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's key management personnel reviews the capital structure on a regular basis.

At the reporting date the Group had no external debt and capital consisted wholly of equity and the Group had no externally imposed capital requirements.

Notes to the financial statements (continued)

For the period ended 31 December 2017

21 Share-based payment

Group

The Group operates an equity-settled share-based payments scheme for the benefit of employees.

A series options are options over the Company's A preferred shares. "Investor return conditions" apply to certain A series options and represent a multiple of the amount invested by ELQ Investors VIII Ltd and a co-investor during the 2017 funding round. If the equity value on exit is not sufficient to return this multiple of that initial investment, then those options will not vest. Share option transactions during the period are summarised as follows:

	Number of A series options under option (no performance conditions) 2017	Weighted average exercise price 2017 €	Number of A series options under option (3 x investor return condition) 2017	Weighted average exercise price 2017 €	Number of A series options under option (5 x investor return condition) 2017	Weighted average exercise price 2017 €
Outstanding at beginning of period	-	-	-	-	-	-
Granted during the period	2,216,500	0.2544	277,500	0.2544	415,000	0.2544
Lapsed during the period	-	-	-	-	-	-
Exercised during the period	-	-	-	-	-	-
Outstanding at the end of the period	2,216,500	0.2544	277,500	0.2544	415,000	0.2544
Exercisable at the end of the period	-	-	-	-	-	-

All options are exercisable 5 years from the date of grant. The options outstanding at 31 December 2017 had a weighted average remaining contractual life of 4 years and 5 months (2016: not applicable).

Notes to the financial statements (continued)

For the period ended 31 December 2017

21 Share-based payments (continued)

The share-based payments expense represents the economic cost of granting options. It is based on the estimated fair value of the options at the time they are granted and is spread over their minimum vesting periods.

Fair value is calculated using a Monte-Carlo model using the following assumptions:

	2017	2016
Weighted average share price	€0.54	-
Weighted average exercise price	€0.2544	-
Expected volatility	50%	-
Expected life	5 years	-
Risk free rate	0.21%	-
Dividend yield	0%	-

The Company is not listed so it is not possible to calculate a volatility based solely on the Company's share price. The expected volatility was therefore determined by considering an appropriate comparator group of similar listed companies, which gives an expected volatility of 50% p.a. for each award.

The share-based payments expense recognised in the period was $165,000 (2016: not applicable).

Notes to the financial statements (continued)

For the period ended 31 December 2017

22 Employee benefits

Group

Defined contribution pension schemes
The Group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in an independently administered fund. The pension charge represents contributions payable by the Group to the fund and amounted to $187,651 (2016: $123,332).

Defined benefit pension scheme
In accordance with French law and the Syntec Collective Agreement, French employees are entitled to compensation paid on retirement. At retirement date, the employees of Nuxeo France receive a lump sum calculated according to the collective agreement "Bureaux d'études techniques SYNTEC", the salary and seniority. The scheme is fully funded.

The full valuation performed as at 31 December 2017 was carried out by an independent actuary on the projected unit basis. This showed a deficit of $294,000.

The amounts recognised are as follows:

	2017 $'000	2016 $'000
Fair value of the scheme assets	-	-
Present value of plan liabilities	294	245
Defined benefit pension obligation	294	245

Changes in the present value of the plan liabilities are as follows:

	2017 $'000	2016 $'000
As at 1 January	245	177
Current service cost	47	45
Interest expense	4	4
Total actuarial loss due to changes in the assumptions	(38)	29
Foreign exchange gains and losses	36	(10)
As at 31 December	294	245

The amounts recognised in profit or loss are as follows:

	2017 $'000	2016 $'000
Current service cost	47	45
Interest expense	4	4
	51	49

Notes to the financial statements (continued)

For the period ended 31 December 2017

22 Employee benefits (continued)

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2017 %	2016 %
Discount rate	1.5	1.5
Future salary increases	2.0	2.0

The following sensitivity analysis shows the defined benefit obligation if the discount rate:

	2017 $'000
Decreased by 50 basis points	275
Increased by 50 basis points	219

23 Notes to the cash flow statement

Changes in liabilities arising from financing activities:

	Borrowings $'000
At 1 January 2016	140
Repayment of borrowings	(106)
At 31 December 2016	34
Repayment of borrowings	(34)
At 31 December 2017	-

24 Operating lease

Group

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in relation to the lease of property assets, which fall due as follows:

	2017 $'000	2016 $'000
Within one year	136	290
In the second to fifth year inclusive	860	113
After five years	-	-
	996	403

Notes to the financial statements (continued)

For the period ended 31 December 2017

25 Related party relationships and transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Group

Statement of comprehensive income

	2017 Purchases $'000	2016 Purchases $'000
Transactions with key management personnel	24	26
Transactions with companies with common key management personnel	164	34
	188	60

Statement of financial position

	2017 Receivables $'000 2017	2016 Receivables $'000 2016
Loans to key management personnel	19	-
Unpaid share capital of key management personnel	1,068	-
	1,087	-

	2017 Payables $'000	2016 Payables $'000
Transactions with companies with common key management personnel	5	-

Notes to the financial statements (continued)

For the period ended 31 December 2017

25 Related party relationships and transactions (continued)

Company

Statement of comprehensive income

	2017 Interest receivable £'000	2017 Interest payable £'000
Transactions with subsidiaries	28	72

Statement of financial position

	2017 Receivables £'000	2017 Payables £'000	2017 Interest receivable £'000	2017 Interest payable £'000
Transactions with subsidiaries: current	6,885	271	28	72
Transactions with subsidiaries: non-current	-	6,198	-	-
Unpaid share capital of Director	642	-	-	-
	7,527	6,469	28	72

Current receivables primarily relate to a receivable from Nuxeo SAS. The balance attracts interest at a rate of 2% and has no fixed repayment date.

Current payables relate to the expenses of the Company that have been settled by subsidiary undertakings.

Non-current payables relate to borrowings from Nuxeo SAS. The loan attracts interest at a rate of 2% and is repayable in 2022.

Notes to the financial statements (continued)

For the period ended 31 December 2017

26 Events after the reporting period

Subsequent to the period end the Company concluded a round of equity financing as described in note 19.

In February 2018, the Company, along with it subsidiary undertakings Nuxeo Limited and Nuxeo Corporation, entered into a $6 million revolving line of credit with a five- year maturity and an effective interest rate of prime + 4.5%, if borrowing in USD or Libor +3.0% if borrowing in GBP or EUR. As of the date of this report, Nuxeo Corporation has drawn $3.5 million on this line.

On 1 May 2018, the Company's subsidiary undertaking, Nuxeo Corporation, through its wholly owned special purpose entity, Nuxeo 10 Jay St. LLC, cancelled its lease with its landlord due to the landlord's failure to deliver completed space, and demanded a refund totalling $721,253 (of which $653,481 is recognised within other long-term assets in the Group's statement of financial position), for its security deposit, advance rent, and out-of-pocket expenses, as set forth in the lease. Upon the landlord's refusal to provide a refund, Nuxeo 10 Jay St. LLC filed a lawsuit for a declaratory judgment that it was within its rights to cancel the lease and a judgement for the amounts due to it under the lease plus attorney's fees. The landlord filed a counterclaim for unspecified damages plus its attorney's fees and other relief the court considers due. This dispute is expected to be resolved within twelve to eighteen months of the reporting date, and the outcome is not expected to have a material impact on the combined financial statements.

27 Ultimate controlling party

Nuxeo Group Limited is the ultimate parent company within the Group.

Although the Group has a majority shareholder, ELQ Investors VIII Ltd, no ultimate controlling party exists as that company had joint control, along with a co-investor.