

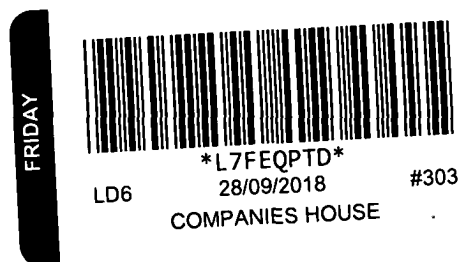
# **Seal Software Limited**

Report and Financial Statements

Year Ended

31 December 2017

Company Number 06299540



**Seal Software Limited**  
**Report and financial statements**  
**for the year ended 31 December 2017**

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**Contents**

**Page:**

1	Strategic Report
3	Report of the directors
5	Independent auditor's report
8	Income statement
9	Balance sheet
10	Statement of changes in equity
11	Notes forming part of the financial statements

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**Directors**

U Zetterberg  
M P Williams  
S J Tucker

**Registered office**

Ashcombe Court, Woolsack Way, Godalming, Surrey, GU7 1LQ

**Company number**

06299540

**Auditors**

BDO LLP, 55 Baker Street, London, W1U 7EU

# Seal Software Limited

## Strategic report for the year ended 31 December 2017

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### **Business Model**

Seal utilises both direct and indirect sales and partners with some of the largest consulting and legal firms worldwide to resell Seal software. Seal licenses use of its software to end users on an annual basis and customers are increasingly asking for multi-year contracts. The contract amount is priced uniquely for each customer and is largely dependent on the number of documents and contracts the customer intends to upload to Seal's database. Customers may host the software on their own servers ("On Premise") or pay an additional premium to have the software and contracts database managed by Seal and hosted in the cloud ("Cloud Services").

### **Strategy**

Seal is pioneering the development of a new industry around contract analytics and has a high growth strategy. We intend to drive the growth of our business by executing on the following initiatives:

***Drive new customer acquisition.*** Despite our success to date, we believe the market for contract analytics remains largely underpenetrated. As a result, there is a vast opportunity to take our core capabilities to many more enterprises and commercial businesses around the world.

***Expand use cases within existing customers.*** Once a company begins to realize the benefits of our platform, we often have an opportunity to expand into other use cases from Procurement to M&A to Legal Compliance, increasing the overall number of contracts in the Seal database.

***Accelerate international expansion.*** In 2017, we derived 17% of our revenue from customers outside the United States. We believe there is a substantial opportunity for us to increase our international customer base by leveraging and expanding investments in our technology, direct sales force, and strategic partnerships around the world.

***Expand vertical solutions.*** While our platform is industry agnostic, we will continue to invest in sales, marketing and technical expertise across several industry verticals, each of which have differentiated business requirements—for example, financial services, technology, and life sciences.

***Expand partner relationships.*** We have many partnerships and resellers today and understand the key to continuing our rapid growth is through partner and reseller sales channels.

### **Financial Review**

Revenue grew 47% percent to \$15.6 million in 2017 (\$10.7 million in 2016). We signed over \$17 million in total contract value in Q3'17 and Q4'17 and the revenue growth associated with those contracts will be largely reflected in 2018.

Costs to support those new customers and services costs increased 93% in 2017 to \$8.3 million (\$4.3 million in 2016). We built out the Cloud Services and Implementation teams in 2017 ahead of sales resulting in a lower gross margin percentage in 2017 than in 2016.

Administrative Expenses grew 29% to \$32.1 million in 2017 (\$24.8million in 2016). The lower cost growth than revenue growth reflects efficiencies in our sales and marketing costs as well as limiting G&A cost growth.

Our Net Loss increased 36% to \$24.7 million (\$18.2 million in 2016) due to cost of servicing new customers and building out the cloud services platform. Operations and working capital were funded by the issuance of \$23 million in new equity in our parent company.

### **Key Performance Indicators**

***Number of customers.*** We have a significant portion of our sales team dedicated to finding new customers and the number of new customers is monitored closely and reported to the Board of Directors quarterly. We added 31 new customers in 2017 (25 in 2016).

# Seal Software Limited

## Strategic report for the year ended 31 December 2017 (*continued*)

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**Revenue Growth.** Our ability to secure funding at attractive rates is highly dependent on our revenue growth rate. Our revenue grew 47% in 2017 (49% in 2016).

### **Principal Risks and Uncertainties**

We have a history of operating losses and may not achieve or sustain profitability in the future. We have required external funding each year and there is a risk funding may not be available to us at some point in the future.

If we are unable to retain customers at existing levels or sell additional functionality and services to our existing customers, our revenue growth will be adversely affected.

We rely on the performance of highly skilled personnel, including our management and other key employees, and the loss of one or more of such personnel, or of a significant number of our team members, could harm our business.

We are subject to governmental regulation and other legal obligations, including those related to e-signature laws, privacy, data protection, and information security, and our actual or perceived failure to comply with such obligations could harm our business. Compliance with such laws could also result in additional costs and liabilities to us or inhibit sales of our software.

### **Approval**

This Strategic Report was approved by order of the Board on 29 September 2018.



M P Williams  
Director

# **Seal Software Limited**

## **Report of the directors for the year ended 31 December 2017**

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The directors present their report together with the audited financial statements for the year ended 31 December 2017.

### **Results**

The income statement is set out on page 8 and shows the loss for the year. The directors do not recommend a dividend (2016: \$nil)

### **Principal activity**

The principal activity of the company during the year was that of the development and sale of computer software for contract discovery and analytics.

### **Going concern**

The company's principal activities, together with any factors likely to affect its future development and position are set out in this report.

At the balance sheet date, the company has net liabilities of \$ 67,988,255 (2016 - net liabilities of \$43,560,974). The Board has prepared detailed financial projections and reviewed the company's financial position to ensure that it has adequate resources to continue in operational existence in the foreseeable future. Based on the detailed financial projections, the directors have determined that additional support will be needed from the parent company. Seal Software Group Limited, the parent company, has undertaken to continue to provide such financial support as may be required for the company to continue to trade for the foreseeable future. Subsequent to the year end the group has raised \$34 million from external investors and amended its Silicon Valley Bank ('SVB') line of credit from a \$3 million facility, based on trade accounts receivable, to a \$7 million facility based on monthly recurring revenue. The directors of the parent company are confident that the monies raised will be sufficient to ensure that the general working capital requirements of the group will be met for a period of at least 12 months from the date of signing these financial statements. Having considered these factors, the directors believe that it is appropriate to prepare the financial statements on a going concern basis. These financial statements do not include any adjustments that would be required if this basis was not appropriate.

### **Directors**

The directors of the company during the year were:

U Zetterberg  
M P Williams  
S Tucker

# Seal Software Limited

## Report of the directors for the year ended 31 December 2017 (*continued*)

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### Directors' responsibilities

The directors are responsible for preparing the strategic report, 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 have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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:

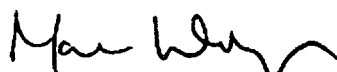
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

### On behalf of the Board



M P Williams  
Director

29 September 2018

# Seal Software Limited

## Independent auditor's report

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEAL SOFTWARE LIMITED

#### Opinion

We have audited the financial statements of Seal Software Limited ("the Company") for the year ended 31 December 2017 which comprise the income statement, the balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### 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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about 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.

#### 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 this regard.

# Seal Software Limited

## Independent auditor's report (*continued*)

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### **Opinion 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report has been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

### **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 determines 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



# Seal Software Limited

## Independent auditor's report (*continued*)

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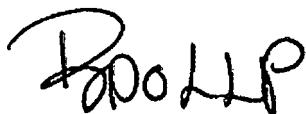
### **Auditor's responsibilities for the audit of the financial statements**

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 at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **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.



Iain Henderson (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
55 Baker Street, London, United Kingdom

29 September 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Seal Software Limited

## Income statement for the year ended 31 December 2017

	Note	2017 \$	2016 \$
<b>Turnover</b>	3	15,623,256	10,655,984
Cost of sales		(8,261,214)	(4,291,382)
<b>Gross profit</b>		7,362,042	6,364,602
Administrative expenses		(32,149,697)	(24,843,122)
<b>Operating loss</b>	4	(24,787,655)	(18,478,520)
Interest payable and similar charges		(717,175)	(301,811)
<b>Loss on ordinary activities before taxation</b>		(25,504,830)	(18,780,331)
Taxation credit on loss from ordinary activities	8	812,366	562,118
<b>Loss for the financial year</b>		(24,692,464)	(18,218,213)

All amounts relate to continuing activities.

All recognized gains and losses are included in the Income Statement.


The notes on pages 11 to 19 form part of these financial statements.

# Seal Software Limited

## Balance sheet at 31 December 2017

<b>Company number 06299540</b>	<b>Note</b>	<b>2017</b> <b>\$</b>	<b>2017</b> <b>\$</b>	<b>2016</b> <b>\$</b>	<b>2016</b> <b>\$</b>
<b>Fixed assets</b>					
Tangible assets	9		22,293		29,182
<b>Current assets</b>					
Debtors	10	24,499,331		7,251,867	
Cash at bank and in hand		2,326,932		378,573	
		26,826,263		7,630,440	
<b>Creditors: amounts falling due within one year</b>	11	(93,135,390)		(47,386,045)	
<b>Net current assets</b>			(66,309,127)		(39,755,605)
<b>Total assets less current liabilities</b>			(66,286,834)		(39,726,423)
<b>Creditors: amounts falling due after more than one year</b>	12		(1,701,421)		(3,834,551)
<b>Net liabilities</b>			(67,988,255)		(43,560,974)
<b>Capital and reserves</b>					
Called up share capital	13		166		166
Capital Contribution			362,432		97,249
Profit and loss account			(68,350,853)		(43,658,389)
<b>Shareholders' deficit</b>			(67,988,255)		(43,560,974)

The financial statements were approved by the Board of Directors and authorised for issue on 29 September 2018



M P Williams  
Director

The notes on pages 11 to 19 form part of these financial statements.

# Seal Software Limited

## Statement of changes in equity for the year ended 31 December 2017

	Share capital \$	Profit and loss account \$	Capital contribution \$	Total deficit \$
<b>1 January 2017</b>	166	(43,658,389)	97,249	(43,560,974)
<b>Comprehensive loss for the year:</b>				
Loss for the year	-	(24,692,464)	-	(24,692,464)
<b>Total comprehensive loss for the year</b>	-	(24,692,464)	-	(24,692,464)
<b>Transactions with owners</b>	-	-	265,183	265,183
<b>31 December 2017</b>	166	(68,350,853)	362,432	(67,988,255)
	Share capital \$	Profit and loss account \$	Capital contribution \$	Total equity \$
<b>1 January 2016</b>	166	(25,440,176)	-	(25,440,010)
<b>Comprehensive loss for the year:</b>				
Loss for the year	-	(18,218,213)	-	(18,218,213)
<b>Total comprehensive loss for the year</b>	-	(18,218,213)	-	(18,218,213)
<b>Transactions with owners</b>	-	-	97,249	97,249
<b>31 December 2016</b>	166	(43,658,389)	97,249	(43,560,974)

The notes on pages 11 to 19 form part of these financial statements.

# Seal Software Limited

## Notes forming part of the financial statements for the year ended 31 December 2017

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### 1 Accounting policies

Seal Software Limited is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

As a qualifying entity, as per section 1.8 of FRS 102, the company has taken advantage of not producing a cash flow statement on the grounds that it is a subsidiary undertaking within the Group headed by Seal Software Group Limited, which prepares publically available, consolidated set of financial statements, in which the Company is included.

#### *Basis of preparing the financial statements and going concern*

At the balance sheet date, the company has net liabilities of \$ 67,988,255 (2016 - net liabilities of \$43,560,974). The Board has prepared detailed financial projections and reviewed the company's financial position to ensure that it has adequate resources to continue in operational existence in the foreseeable future. Based on the detailed financial projections, the directors have determined that additional support will be needed from the parent company. Seal Software Group Limited, the parent company, has undertaken to continue to provide such financial support as may be required for the company to continue to trade for the foreseeable future. Subsequent to the year end the group has raised \$34 million from external investors and amended its Silicon Valley Bank ('SVB') line of credit from a \$3 million facility, based on trade accounts receivable, to a \$7 million facility based on monthly recurring revenue. The directors of the parent company are confident that the monies raised will be sufficient to ensure that the general working capital requirements of the group will be met for a period of at least 12 months from the date of signing these financial statements. Having considered these factors, the directors believe that it is appropriate to prepare the financial statements on a going concern basis. These financial statements do not include any adjustments that would be required if this basis was not appropriate.

The following principal accounting policies have been applied:

#### *Turnover*

Turnover represents net amounts earned for sales of goods and services provided, excluding value added tax. Term software licence and maintenance income is recognised rateably over the period of the licence.

Consultancy services income is recognised in stages based on when deliverable criteria, as laid out in the contracts, are met. The income is recognised in line with the period in which the services are performed, and delivered.

The company provides hosting, implementation, analytical, legal review and packs services, all of which are standalone and have their own fair value, on its platform. The income from these services is recognised in the period in which the services are performed and delivered.

Billable expenses are recognised in the period the expenses are rebilled to the client.

#### *Cost of Sales*

Cost of sales includes all of the costs of customer support, maintenance, and professional services delivery costs. Certain amounts were reclassified between cost of sales and administrative expenses in 2016 to reflect this change accounting policy.

# Seal Software Limited

## Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

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### 1 Accounting policies

#### *Product development and support*

Product development and support consists of fees charged by fellow group companies, Seal Software Inc and Contract Analytics Development Sweden AB for software development services. Product development and support expenditure is recognised when services are provided by the relevant entity to Seal Software Limited.

#### *Tangible fixed assets and depreciation*

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is 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.

Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Fixtures and fittings	- 60 months
Computer equipment	- 36 months

#### *Taxation*

Current tax, including UK corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse. Deferred tax assets and liabilities are not discounted.

#### *Research and Development Tax Credits*

Companies within the group may be entitled to claim tax allowances in relation to qualifying research and development expenditure (e.g. R&D tax credits). The Group accounts for such allowances as tax credits, which means that they are recognised when it is probable that the benefit will flow to the Group and that benefit can be reliably measured. R&D tax credits reduce current tax expense and, to the extent the amounts due in respect of them are not settled by the balance sheet date, reduce current tax payable.

#### *Hire purchase and leasing commitments*

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

#### *Functional and presentational currency*

The functional and presentational currency for the company is the US Dollar. This reflects the primary trading currency of the business.

# Seal Software Limited

## Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

### 1 Accounting policies (continued)

#### *Foreign currencies*

Assets and liabilities in foreign currencies are translated into US Dollar at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into US Dollar at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

#### *Development costs*

Costs incurred in designing and developing the software are written off in the year they occur.

#### *Share Options*

The group scheme, awarding shares in the parent entity, includes recipients who are employees in Seal Software Limited. In the consolidated financial statements, the transaction is treated as an equity-settled share-based payment, as the group has received services in consideration for the group's equity instruments.

An expense is recognised in the income statement for the grant date fair value of the share-based payment over the vesting period, with a credit recognised in equity.

In Seal Software Limited's financial statements, the award, in proportion to the recipients who are employees in Seal Software Limited, are treated as an equity-settled share-based payment, as the subsidiary does not have an obligation to settle the award. An expense for the grant date fair value of the award is recognised over the vesting period, with a credit recognised in equity. The credit to equity is treated as a capital contribution, as the parent company is compensating Seal Software Limited's employees with no cost to the subsidiaries. In the parent company's financial statements, it is acceptable to record no accounting entries in the parent's statutory company financial statements in connection with the expense recognised in the subsidiary.

### 2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine the timing and amount of revenue to be recognised for each contract element in each period. These decisions depend on whether the services are deemed standalone in form and substance, persuasive evidence of an arrangement exists, delivery has occurred, the price is determinable, collectability is reasonably assured and fair values of each element in the contract.
- Determine the assumptions used to value the share based payments issued in 2016 and 2017. These decisions depend on the historical volatility of peer companies and estimated forfeiture rates.
- Determine whether the company will have adequate future cash flows to meet their day to day liabilities.

#### *Other key sources of estimation uncertainty*

- *Tangible fixed assets (see note 7)*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

# Seal Software Limited

## Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

### 3 Turnover

Of the total turnover recorded in the year 89.1% (2016 – 94.4%) relates to sales outside the United Kingdom.

	2017 \$	2016 \$
Licence fees	12,161,454	7,726,931
Service fees	3,461,802	2,929,053
	<u>15,623,256</u>	<u>10,655,984</u>

### 4 Operating loss

	2017 \$	2016 \$
This has been arrived at after charging/(crediting):		
Depreciation - owned assets	16,132	25,516
Auditors' - remuneration	74,485	38,450
- other professional services	67,430	17,037
Foreign exchange differences	359,062	(729)
Operating lease payments - other assets	135,411	106,159
Research and development costs	6,366,292	4,419,445

### 5 Employees

	2017 \$	2016 \$
Staff costs (including directors) consist of:		
Wages and salaries	3,947,911	2,322,931
Social security costs	468,532	282,691
	<u>4,416,443</u>	<u>2,605,622</u>

The average number of employees (including directors) during the year was as follows:

	2017 Number	2016 Number
Cost of Sales	5	4
Development	3	4
Sales & Marketing	17	12
General & Administration	1	3
	<u>26</u>	<u>23</u>



# Seal Software Limited

## Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

### 6 Directors' remuneration

	2017 \$'000	2016 \$'000
Directors' emoluments	341,264	262,106

Emoluments of the highest paid director were \$341,264 (2016 - \$262,102). Company pension contributions of \$Nil (2016 - \$Nil) were made to a money purchase scheme on his behalf.

### 7 Key Management Personnel

It is deemed that key management personnel are the directors and the directors' emolument equate to that earned by key management personnel too.

### 8 Taxation on loss from ordinary activities

	2017 \$	2016 \$
<i>Analysis of the tax credit</i>		
<i>Current tax</i>		
Research and development tax credits received relating to prior year	(812,366)	-
Additional increase in research and development tax credits received relating to prior year	-	(562,118)
	<u>(812,366)</u>	<u>(562,118)</u>
Tax credit on loss on ordinary activities	<u>(812,366)</u>	<u>(562,118)</u>
	2017 \$	2016 \$
Loss on ordinary activities before tax	<u>(25,504,830)</u>	<u>(18,780,331)</u>
Loss on ordinary activities before taxation multiplied at the standard rate of corporation tax in the UK of 19.25% (2016-20.00%)	(4,909,680)	(3,756,066)
Effects of:		
Fixed asset	-	1,630
Expenditure not deductible for tax purposes	177,017	37,676
Adjustment to tax charge in respect of previous periods	(812,366)	(719,696)
Current tax – exchange difference on opening and closing rates	-	157,578
Difference in tax rates on deferred tax movement	-	753,643
Deferred tax not recognised on unrelieved tax losses	4,732,663	2,963,117
	<u>(812,366)</u>	<u>(562,118)</u>
Total tax charge	<u>(812,366)</u>	<u>(562,118)</u>

The company has estimated tax losses of \$60,183,363 (2016 - \$\$35,874,456) available to be carried forward and offset against future profits. There has been no deferred tax asset recognised due to the uncertainty concerning the timescale as to its recoverability.

# Seal Software Limited

## Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

### Factors affecting current and future tax charges:

Finance Act 2016 announced a reduction in the rate of UK corporation tax from 18% to 17% from the year commencing 1 April 2020

### 9 Tangible assets

	Fixtures and fittings \$	Computer equipment \$	Total \$
<i>Cost</i>			
At 1 January 2017	12,618	93,429	106,047
Additions	-	9,243	9,243
	<hr/>	<hr/>	<hr/>
At 31 December 2017	12,618	102,672	115,290
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2017	1,634	75,231	76,865
Charge for the year	2,583	13,549	16,132
	<hr/>	<hr/>	<hr/>
At 31 December 2017	4,217	88,780	92,997
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2017	8,401	13,892	22,293
	<hr/>	<hr/>	<hr/>
At 31 December 2016	10,984	18,198	29,182
	<hr/>	<hr/>	<hr/>

### 10 Debtors

	2017 \$	2016 \$
Amounts falling due within one year:		
Trade debtors	8,624,172	4,432,895
Sales Tax	-	18,014
Tax credit due	817,261	636,159
Prepayments	923,223	459,936
Amounts owed by other group companies	12,632,719	1,170,960
Directors current account (note 16)	152,209	128,479
Accrued income	1,208,745	405,424
	<hr/>	<hr/>
	24,358,329	7,251,867
	<hr/>	<hr/>
Amounts falling due after more than one year:	141,002	-
	<hr/>	<hr/>
Aggregate amounts	24,499,331	7,251,867
	<hr/>	<hr/>

# Seal Software Limited

## Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

### 11 Creditors: amounts falling due within one year

	2017 \$	2016 \$
Amounts owed under invoice discounting facility (note 15)	2,871,335	2,269,806
Trade creditors	729,737	677,565
Social security and other taxes	150,925	165,774
Deferred income	12,774,382	5,376,776
Accrued expenses	1,260,716	1,019,234
Amounts owed to group undertaking	72,867,202	36,203,606
VAT	171,348	-
Loan	2,309,745	1,673,284
	<u>93,135,390</u>	<u>47,386,045</u>

In the prior year the amounts owed to group, for which there is no agreement and which are repayable on demand, were classified as non-current. In the current year the loans have been reclassified to current, as there is no right to defer payment for more than 12 months. However the counterparty has confirmed that they will not seek repayment for a period of at least twelve month.

### 12 Creditors: amounts falling due after more than one year

	2017 \$	2016 \$
Loan	<u>1,701,421</u>	<u>3,834,551</u>

Seal Software Limited have provided the shares held as security for the loan provided by Kreos Capital Limited. The loan has been granted over a term of 36 months, at an interest rate of 11%. The current portion of the loan, included in the other creditors balance in note 9 is \$2,309,745

### 13 Share capital

	2017 Number	Allotted, issued and fully paid 2016 Number	2017 \$	2016 \$
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>166</u>	<u>166</u>

Share capital The nominal value of allotted, called up and fully paid up ordinary share capital.

Capital contribution The capital contribution arose from the provision by the company's parent, of share options to employees of the company.

Profit and loss account Cumulative net gains and losses recognised in the statement of comprehensive income, net of dividend paid.

# Seal Software Limited

## Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

### 14 Commitments

#### Capital Commitments

The company did not have any material capital commitments at the end of the financial year or the preceding financial year.

#### Commitments under operating leases

As at 31 December 2017, the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	2017	2016
	\$	\$
Operating leases which expire:		
Within one year	26,748	54,668
In two to five years	-	9,184
	<u>26,748</u>	<u>63,852</u>

### 15 Secured debts

The following secured debts are included within creditors:

	2017	2016
	\$	\$
Invoice discounting facility (Note 9)	2,871,335	2,269,806
	<u>2,871,335</u>	<u>2,269,806</u>

Seal Software Limited has provided the bank with an all monies debenture in respect of the invoice discounting facility, and Seal Software Group Limited has provided the bank with a guarantee in respect of this debt.

### 16 Related party transaction

#### M P Williams

Director of the company

During the year ended 31 December 2017, M Williams invoiced the company a total of \$132,772 (2016 - \$132,484) in respect of his services as a director.

	2017	2016
	\$	\$
Amount owed by related party at the balance sheet date	<u>152,209</u>	<u>128,479</u>

# Seal Software Limited

## Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

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### **17 Ultimate parent company**

Seal Software Group Limited is regarded by the directors as being the company's ultimate parent company. Seal Software Group Limited prepares consolidated accounts which include Seal Software Limited. These consolidated accounts are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

### **18 Ultimate controlling party**

Toba Capital Venture Series is deemed a majority shareholder at December 31, 2016 and 2017.

### **19 Subsequent events**

Subsequent to the year end, the group of which the company is part of:

- In January 2018, the group has raised approximately \$34 million by external investors through the issuance of 20,232,382 preference shares. The Company has received \$20.5 million of the \$34 million to date.
- In September 2018, the company amended its Silicon Valley Bank ('SVB') line of credit from a \$3 million facility, based on trade accounts receivables, to a \$7 million facility, based on monthly recurring revenues.