
AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**



AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

COMPANY INFORMATION

Directors	Henry Elkington Gavin Carter (appointed 8 January 2019) Andrew Millen
Registered number	10103719
Registered office	C/O Techinsights Europe/Chipworks Europe Limited 68 Lombard London England EC3V 9LJ

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

CONTENTS

	Page
Group Strategic Report	3 - 4
Directors' Report	5 - 6
Directors' Responsibilities Statement	7
Independent Auditors' Report	8 - 10
Consolidated Statement of Profit or Loss and Other Comprehensive Income or Loss	11
Consolidated Statement of Financial Position	12 - 13
Consolidated Statement of Changes in Equity	14 - 15
Consolidated Statement of Cash Flows	16 - 17
Notes to the Consolidated Financial Statements	18 - 74
Company Statement of Profit or Loss and Other Comprehensive Income or Loss	75
Company Statement of Financial Position	76
Company Statement of Changes in Equity	77
Company Statement of Cash Flows	78
Notes to the Company Financial Statements	79-102

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

The Directors present their strategic report on the Group for the year from 1 January 2018 to 31 December 2018.

Business review

AXIO Technical Intelligence Holdco Limited ("The Company") is an investment and holding company. The Company and its subsidiary undertakings comprise a Group of companies which operate a portfolio of market-leading information businesses providing data and information products which professionals within the technical intelligence sector use to support their decision-making and day-to-day business activities.

Results and performance

The results for the year are set out in the consolidated statement of profit and loss and other comprehensive income. The profit for the year ended 31 December 2018 was USD \$4.5M (2017: loss of USD \$1.4M) as set out on page [11].

The underlying results excluding exceptional items were as follows:

	2018 In millions of USD	2017 In millions of USD
Revenue	\$51.8	\$47.5
Operating Profit	\$13.8	\$11.6
EBITDA	\$16.5	\$14.7

The reconciliation of the Company operating profit to underlying continuing EBITDA is shown in Note 7.

Strategy

The Group aims to maximise the value of its portfolio of businesses for the benefit of its shareholders by building and realising value. The Group seeks to be the clear leader in the focused markets that it serves and is committed to improving its businesses through organic investment and growth, acquisitions and partnerships and by focusing on the efficiency of its operations.

Financial key performance indicators

The Board monitors the progress of the Group by reference to:

- Revenue - Underlying revenue for the trading year is USD \$51.8M (2017: \$47.5M) as stated in Note 8)
- Underlying EBITDA (earnings before interest, tax, amortization, depreciation, restructuring costs, and acquisition costs) for the period is USD \$16.5M (2017: \$14.7M), as stated in Note 7;
- Net cash inflow from operating activities for the period is USD \$20.2M (2017: \$7.7M) as shown in the consolidated statement of cash flows on page [16]; and
- Other operational KPIs applicable to individual businesses.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

Principal risks and uncertainties

Economic Factors

A significant change in the global economic or to the economic conditions in any of the markets served by the Group may lead to a decline the performance of any of the Group's businesses, particularly in those businesses more exposed to discretionary spend. This could have an adverse impact on the Group's operational results.

Liquidity Risk

The Group is focused on ensuring its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group's cash position is carefully managed and reported to the board monthly. As set out in Note 2 of the consolidated financial statements the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Foreign Exchange Risk

The group trades in foreign currencies, principally in Canadian Dollars. The Group has twelve open USD/CAD foreign exchange forward contracts in place as at 31 December 2018 with an ending net liability position of USD \$0.9M (2017: \$0.08M). The Group does not apply hedge accounting in respect of these forward contracts.

Credit Risk

Credit risk principally arises from credit exposure to customers. This risk is managed by each business unit in accordance with the Group's established policy, procedures and controls relating to customer credit management. Credit limits are established for all customers and are based inter alia on bank references and credit checks. Outstanding customer receivables are regularly monitored.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated. Furthermore, cash is generally received in advanced for subscription and event revenues.

United Kingdom Referendum ("Brexit")

The uncertainty brought on by the potential departure of the UK from the EU increases the risks to the valuation of Sterling-based assets. This risk is mitigated by the fact that the group's primary commercial operations are located in Ottawa, Canada and that the UK-based entities consist of holding companies and a small sales office. The group derives no revenues in Sterling and holds no significant monetary assets in the UK. Another potential area of uncertainty is the impact on taxation in the UK and between the group companies and EU member countries. The UK's departure from the EU could lead to changes in the future tax status of the group's UK-based companies which may influence future investment strategies. The impact of Brexit on borrowing and on interest rates is unknown at this time, but the group is exposed to LIBOR under its current long-term debt agreement. Management will monitor developments closely and explore strategies to mitigate the risk to its cost of borrowing.

This report was approved by the board and signed on its behalf.


.....
Andrew Millen
Director

Date: 24 April 2019

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present their report and the financial statements for the year ended 31 December 2018.

Principal activity

The Company was incorporated on 5 April, 2016 in the United Kingdom and is registered in England and Wales. AXIO Technical Intelligence Holdco Limited ("The Company") is an investment and holding company. The Company and its subsidiary undertakings comprise a Group of companies which operate a portfolio of market-leading information business providing data and information products which professionals within the technical intelligence sector use to support their decision-making and day-to-day business activities.

In accordance with section 414(c) (11) of the Companies Act, the Company has chosen to set out information regarding Activities and Results of the Company that is otherwise required to be contained in the Directors' report, within its Strategic Report.

Directors

The directors who served during the year were:

Henry Elkington
Andrew Millen

No director had any beneficial interest in any contract to which the Company or a subsidiary was a party during the year.

The directors' beneficial and non-beneficial interests in the share capital, including share options, of the Company are shown on Note 26 and their emoluments in Note 12.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the period.

Going concern

The accounts have been prepared on a going concern basis. The background to and reasons for the adoption of the going concern basis are explained in Note 2 of the notes to the consolidated financial statements.

Employee involvement

During the year, the Group employed an average of 272 (2017: 263) full time equivalent employees.

Disclosure of information to auditors

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

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018


Post year end events

At the end of January 2019, the Group announced a reduction of the Group's workforce by 16 positions worldwide in order to adapt to current market conditions and managements strategic direction. The Group expects the restructuring associated with the reduction in positions to cost between \$0.7M and \$0.8M in 2019. As this was not committed prior to the year end, no provision has been made for this cost in the 2018 financial statements.

Auditors

The auditors, KPMG LLP, Statutory Auditor, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.


.....
Andrew Millen
Director

Date: 24 April 2019

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors are responsible for preparing the directors' report and the consolidated financial statements, in accordance with applicable law.

Company law requires the directors to prepare consolidated financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

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

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

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

Opinion

We have audited the financial statements of AXIO Technical Intelligence Holdco Limited ("the company") for the year ended 31 December 2018 which comprise the consolidated statement of financial position, consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated cash flows statement, company statement of financial position, company statements of profit or loss and other comprehensive income, company statement of changes in equity, company cash flows statement, and the related notes, comprising significant accounting policies and other explanatory information.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018, and of the group's profit and the company's loss for the year then ended;
- the group's financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the company's financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and company's financial

resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.



Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement; whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.¹

The purpose of our audit work and to whom we owe our responsibilities

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

Hugh Green (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

24 April 2019

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 \$000	2017 \$000
Revenue	8	51,820	47,510
Employee costs	12	(23,842)	(21,906)
Amortisation	15	(2,141)	(2,291)
Depreciation	16	(545)	(767)
Exceptional restructuring costs	10	(1,585)	(4,989)
Exceptional acquisition costs	10	-	(163)
Other operating expenses	10	(11,472)	(10,914)
Profit from operations		12,235	6,480
Net financing expense	11	(5,490)	(6,610)
Profit/(loss) before tax		6,745	(130)
Tax expense	13	(2,232)	(1,309)
Profit/(loss) for the year		4,513	(1,439)
Other comprehensive (loss)/income:			
Items that will be reclassified to profit or loss:			
Foreign currency translation of foreign operations		(35)	153
Total comprehensive income/(loss)		4,478	(1,286)
Profit/(loss) for the year attributable to:			
Owners of the parent		4,513	(1,439)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		4,478	(1,286)

The accompanying notes on page 18 to 74 are an integral part of the consolidated financial statements.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED
REGISTERED NUMBER: 10103719

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018


	Note	2018 \$000	2017 \$000
Assets			
Non-current assets			
Goodwill	14	14,569	14,569
Intangible assets	15	7,243	8,817
Property, plant and equipment	16	3,117	1,991
Investments	19	-	103
Investment tax credits	17	3,133	2,758
Deferred tax assets	13	114	3,181
		<u>28,176</u>	<u>31,419</u>
Current assets			
Investments	19	220	241
Trade and other receivables	17	9,838	13,795
Cash		5,266	2,518
		<u>15,324</u>	<u>16,554</u>
Total assets		<u>43,500</u>	<u>47,973</u>
Liabilities			
Non-current liabilities			
Loans and borrowings	20	62,596	43,962
Trade and other liabilities	21	102	159
Provisions	22	1,581	2,127
Deferred tax liability	13	1,411	2,755
		<u>65,690</u>	<u>49,003</u>
Current liabilities			
Loans and borrowings	20	650	520
Forward contracts	24	935	83
Tax payable	13	332	219
Trade and other liabilities	21	4,001	4,493
Deferred revenue	23	8,125	6,358
Provisions	22	716	366
		<u>14,759</u>	<u>12,039</u>
Total liabilities		<u>80,449</u>	<u>61,042</u>

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED
REGISTERED NUMBER: 10103719

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2018

Net liabilities		<u>(36,949)</u>	<u>(13,069)</u>
Issued capital and reserves			
Share capital	29	860	1
Share premium	30	-	16,991
Merger reserve	30	(23,204)	(18,917)
Foreign currency translation reserve	30	2,818	2,853
Profit and loss reserve	30	(17,423)	(13,997)
		<u>(36,949)</u>	<u>(13,069)</u>
TOTAL DEFICIT		<u>(36,949)</u>	<u>(13,069)</u>

The accompanying notes on pages 18 to 74 are an integral part of the consolidated financial statements. The financial statements were approved and authorised for issue by the board of directors on 24 April 2019 and were signed on its behalf by:


.....
Andrew Millen
Director

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital \$000	Share premium \$000	Merger reserve \$000	Foreign currency translation reserve \$000	Profit and Loss Reserve \$000	Total attributable to equity holders of parent \$000	Total deficit \$000
At 1 January 2017	1	16,991	(18,917)	2,700	(9,118)	(8,343)	(8,343)
Loss for the year	-	-	-	-	(1,439)	(1,439)	(1,439)
Other comprehensive income	-	-	-	153	-	153	153
Total comprehensive income for the year	-	-	-	153	(1,439)	(1,286)	(1,286)
Dividends distributed to parent (note 30)	-	-	-	-	(3,440)	(3,440)	(3,440)
Total contributions by and distributions to owners	-	-	-	-	(3,440)	(3,440)	(3,440)
At 31 December 2017	1	16,991	(18,917)	2,853	(13,997)	(13,069)	(13,069)
At 1 January 2018	1	16,991	(18,917)	2,853	(13,997)	(13,069)	(13,069)
Profit for the year	-	-	-	-	4,513	4,513	4,513
Other comprehensive income	-	-	-	(35)	-	(35)	(35)
Total comprehensive income for the year	-	-	-	(35)	4,513	4,478	4,478
Dividends distributed to parent (note 30)	-	-	-	-	(28,358)	(28,358)	(28,358)
Issue of ordinary shares (note 29)	859	-	-	-	-	859	859
Capital reduction (note 30)	-	(16,991)	(3,428)	-	20,419	-	-
Share capital issued for reorganization of subsidiary (note 29)	-	-	(859)	-	-	(859)	(859)

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Share premium	Merger reserve	Foreign exchange reserve	Retained earnings	Total attributable to equity holders of parent	Total equity
Total contributions by and distributions to owners	859	(16,991)	(4,287)	-	(7,939)	(28,358)	(28,358)
At 31 December 2018	<u>860</u>	<u>-</u>	<u>(23,204)</u>	<u>2,818</u>	<u>(17,423)</u>	<u>(36,949)</u>	<u>(36,949)</u>

The accompanying notes on pages 18 to 74 are an integral part of the consolidated financial statements.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 \$000	2017 \$000
Cash flows from operating activities			
Profit/(loss) for the year		4,513	(1,439)
		<u>4,513</u>	<u>(1,439)</u>
Adjustments for			
Depreciation of property, plant and equipment	16	545	767
Impairment (gain on sale) of property, plant and equipment	16	(8)	185
Amortisation of intangible fixed assets	15	2,141	2,291
Impairment losses on intangible assets	15	87	-
Net finance expense	11	5,490	6,610
Investment impairment	19	103	12
Income tax expense	13	2,232	1,309
		<u>15,103</u>	<u>9,735</u>
Movements in working capital:			
Decrease/(increase) in trade and other receivables		3,958	(4,927)
Increase in forward contract		852	83
Decrease in trade and other payables		(391)	(356)
(Decrease)/increase in provisions		(353)	2,287
Increase in deferred revenue		1,767	1,540
		<u>20,936</u>	<u>8,362</u>
Cash generated from operations		20,936	8,362
Income taxes paid		(774)	(712)
		<u>20,162</u>	<u>7,650</u>
Net cash from operating activities		20,162	7,650
Cash flows from investing activities			
Purchases of property, plant and equipment	16	(1,674)	(1,344)
Sale of property, plant and equipment		15	-
Purchase of intangibles	15	(653)	(37)
Decrease/(increase) in investments	19	21	(241)
Interest received		35	-
		<u>(2,256)</u>	<u>(1,622)</u>
Net cash used in investing activities		(2,256)	(1,622)

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

		2018 \$000	2017 \$000
Cash flows from financing activities			
External interest and finance costs paid	20	(4,206)	(1,920)
Loan issue costs	20	(455)	(1,505)
Finance charge expense		(37)	(11)
Proceeds from loans and borrowings	20	26,250	50,000
Repayment of loans and borrowings	20	(7,288)	(14,710)
Dividends paid to the holders of the parent	30	(28,358)	(3,440)
Loan repayments to parent company	26	-	(31,975)
Interest repayments to parent company	26	-	(1,537)
Net cash used in financing activities		(14,094)	(5,098)
Net cash increase in cash and cash equivalents		3,812	930
Cash and cash equivalents at the beginning of year		2,518	4,047
Exchange loss on cash and cash equivalents		(1,064)	(2,459)
Cash and cash equivalents at the end of the year		5,266	2,518

The accompanying notes on page 18 to 74 are an integral part of the consolidated financial statements.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Reporting entity

AXIO Technical Intelligence Holdco Limited (the 'Company') is a limited company incorporated in the United Kingdom. The Company's registered office is at C/O Techinsights Europe/Chipworks Europe Limited, 68 Lombard Street, London, England and Wales, EC3V 9LJ. These consolidated financial statements comprise the Company and its subsidiaries (collectively the 'Group' and individually 'Group companies'). The Group is primarily involved in operating a portfolio of market-leading information businesses providing data and information products and services which professional within the technical intelligence sector use to support their decision-making and day-to-day business activities.

2. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) as adopted by the EU ("Adopted IFRSs"). They were authorised for issue by the Company's board of directors on 24 April 2019.

Details of the Group's accounting policies, including changes during the year, are included in note 4.

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas where judgements and estimates have been made in preparing the consolidated financial statements and their effect are disclosed in note 5.

Going Concern

The Group had net liabilities of USD \$36.9M (2017: 13.1M) as at 31 December 2018. The board has reviewed the liquidity position of the Group. In particular, the board has reviewed management's business forecasts up until 31 December 2020 for EBITDA and for after-tax cash flows available to servicing significant financial borrowings that fall due in October 2, 2023 as set out in note 20. The Group is expected to generate positive cash flows in the foreseeable future and therefore the Group will have the ability to meet its short-term obligations. The Group also has considerable diversity of financial resources with a number of customers and suppliers across different geographic areas. As a result of their review, the board have a reasonable expectation that the Group has adequate resources to manage its business risks successfully and continue in operational existence for the foreseeable future. Thus, the board is of the view that the going concern assumption is appropriate and as such the consolidated financial statements have been prepared on this basis.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Basis of preparation (continued)

2.1 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

Items	Measurement basis
Trade and other receivables	Amortised cost
Investments	Amortised cost or fair value
Trade and other liabilities	Amortised cost
Interest-bearing loans and borrowings	Amortised cost
Provisions	Amortised cost
Forward contract	Fair value

2.2 Changes in accounting policies

i) New standards, interpretations and amendments effective from 1 January 2018

IFRS 15

In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The core principle of the new standard is that an entity recognizes revenue to represent the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also provides a model for the recognition and measurement of gains or losses 2018 sale of non-financial assets. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The standard permits the use of either full or modified retrospective application.

Effective January 1, 2018, the Company adopted IFRS 15 using the cumulative effect method, with the effect of adopting this standard recognized on January 1, 2018, the date of initial application. Accordingly, the Company has concluded that there are no adjustments required to be made to the Company's financial statements as a result of the application of IFRS 15 from 1 January 2018.

The Company applies the practical expedient in paragraph 94 of IFRS 15 and recognises the incremental costs of obtaining contracts as an expense when incurred as the amortisation period of the assets that the group otherwise would have recognised is one year or less.

The Company applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

IFRS 9

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory.

The Group has concluded that there are no material adjustments required to be made to the Group's consolidated financial statements as a result of the application of IFRS 9 from 1 January 2018.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Basis of preparation (continued)

2.2 Changes in accounting policies (continued)

i) New standards, interpretations and amendments effective from 1 January 2018 (continued)

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 \$000	New carrying amount under IFRS 9 \$000
Financial assets				
Trade and other receivables	Loans and receivables	Financial assets at amortised cost	13,795	13,795
Investments - current	Held-to-maturity investments	Financial assets at amortised cost	241	241
Investments - non-current	Available-for-sale investments	Financial assets at FVTPL	103	103
Total financial assets			14,139	14,139
Financial liabilities				
	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 \$000	New carrying amount under IFRS 9 \$000
Loans and borrowings	Financial liabilities at amortised cost	Financial liabilities at amortised cost	44,482	44,482
Trade and other liabilities	Financial liabilities at amortised cost	Financial liabilities at amortised cost	4,652	4,652
Provisions	Financial liabilities at amortised cost	Financial liabilities at amortised cost	2,493	2,493
Forward contract	Financial liabilities at FVTPL	Financial liabilities at FVTPL	83	83
Total financial liabilities			51,710	51,710

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Basis of preparation (continued)

2.2 Changes in accounting policies (continued)

i) New standards, interpretations and amendments effective from 1 January 2018 (continued)

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after: (i) The beginning of the reporting period in which the entity first applies the interpretation or (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Group's current practice is in line with the Interpretation there was no effect on its consolidated financial statements.

ii) **New standards, interpretations and amendments not yet effective**

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Company's future financial statements:

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Group is in the process of evaluating the impact of IFRS 16 on the Group's financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. The Group is in the process of evaluating the impact of IFRIC Interpretation 23 on the Group's financial statements.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

3. Functional and presentation currency

These consolidated financial statements are presented in US dollars, which is the Company's functional currency. All amounts have been rounded to the nearest hundred thousand, unless otherwise indicated.

4. Accounting policies

4.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests (if any) even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

4. Accounting policies (continued)

4.2 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is 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 its carrying amount, 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 based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

4.3 Foreign currency

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into USD using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

4.4 Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

4. Accounting policies (continued)

4.5 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

4.6 Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

4. Accounting policies (continued)

4.7 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(i) Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

(ii) Amortised cost and effective interest method

The effective interest method is a method for calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased and originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised costs of a financial asset before adjusting for any loss allowance.

Interest income is recognised in profit or loss and is included in the 'net finance expense' line item.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

4. Accounting policies (continued)

4.7 Financial assets (continued)

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVOCI are measured at FVTPL. Specifically:

- investments in equity instruments are classified as at FVTPL, unless the Group designates an equity instrument that is neither held for trading nor a contingent consideration arising from a business combination as at FVOCI on initial recognition.
- debt instruments that do not meet the amortised cost criteria or the FVOCI criteria (see (ii) *Amortised cost and effective interest method*) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other operating expense' line item. Fair value is determined in the manner described in note 24.

(iv) Impairment of financial assets

The Group measures a loss allowance based on the lifetime expected credit losses. Lifetime expected credit losses are estimated based on factors such as the Company's past experience of collecting payments, the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables, financial difficulty of the borrower, and it becoming probable that the borrower will enter bankruptcy or financial re-organization.

Financial assets are written off when there is no reasonable expectation of recovery.

(v) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

4.8 Financial liabilities and equity instruments

(i) Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

4. Accounting policies (continued)

4.8 Financial liabilities and equity instruments (continued)

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

(iii) Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4.9 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

4. Accounting policies (continued)

4.9 Impairment of tangible and intangible assets other than goodwill (continued)

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4.10 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following range:

Leasehold improvements	Shorter of estimated useful life and term of lease
Machinery and equipment	3-20 years
Motor vehicles	3-5 years

The Group assess an asset's residual value, useful life and depreciation method at each financial year end and makes adjustments if appropriate.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognized in the statements of profit or loss and other comprehensive income of the related year.

4.11 Intangible assets

(i) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally generated software	2-5 years
Brands	5-20 years
Customer relationships	5-15 years
Data sets & acquired software	3-10 years

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

4. Accounting policies (continued)

4.11 Intangible assets (continued)

(ii) Internally-generated intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(iii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

4. Accounting policies (continued)

4.12 Impairment of non-financial assets (excluding deferred tax assets)

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

4.13 Employee benefits

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

4.14 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects the risks specific to the liability.

Provisions are estimates and the actual cost and timing of future cash flows are dependent on future events. Management reassesses the amounts of these provisions at each reporting date in order to ensure that they are measured at the current best estimate of the expenditure required to settle the obligation at the reporting date. Any difference between the amounts previously recognized and the current estimates is recognized immediately in the Consolidated Statement of Profit and Loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

4. Accounting policies (continued)

4.15 Leasing

On inception of a lease, the terms and conditions of the lease are reviewed to determine the appropriate classification for the lease. Where the Group bears substantially all the risks and rewards of ownership of the item, the lease is classified as a finance lease and the item is capitalized at the lesser of the fair value of the leased item and the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to obtain a constant rate on the finance balance outstanding. The balance of the lease payments is included within current and long-term payables as appropriate; the interest charges are recognized as finance costs in the consolidated statement of Profit and Loss over the year of the lease so as to produce a constant yearly rate of interest on the remaining balance of the liability for each year.

Operating lease payments are recognized as an operating expense in the Consolidated Statement of Profit and Loss on a straight-line basis over the lease term except where another systematic basis is more representative of the time pattern in which the economic benefits are consumed.

4.16 Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group, the revenue can be reliably measured, and the costs to complete. Revenue is measured at the fair value of the consideration received or receivable, taking into account any contractually defined terms for discounts or contingent fees. The Group records payments received in advance of satisfying the revenue recognition criteria as deferred revenues until all criteria are satisfied.

When the Group enters into revenue arrangements that may consist of multiple deliverables it assesses whether each delivered element is considered a separate transaction that can be recorded separately. In certain circumstances, it is necessary to apply the recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of each individual element. Conversely, the recognition criteria are applied to two or more transactions together when they are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions taken as a whole.

The Group also assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group records revenue on a gross basis, as a principal to the transaction, unless otherwise indicated.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

4. Accounting policies (continued)

4.16 Revenue (continued)

Fee for Service revenue

Revenues from contracts for consulting services with fees based on time and materials are recognized as the services are performed and amounts are earned. The Group's efforts in these contracts are measured by time incurred, and engagements are typically completed over a number of weeks. In this case, hours incurred represent the contractual milestones and are reflected in the contractual earnings pattern.

Revenue from service contracts for fixed price contracts use the percentage of completion method. The Group estimates the percentage of completion on contracts with fixed fees using labour hours incurred as a percentage of total estimated labour hours to complete the consulting service. If there is a significant uncertainty about the project completion, receipt of payment or required effort, revenue is only recognized to the extent of contract costs likely to be recovered once the uncertainty is resolved, revenue will be recognized using the percentage of completion method described above. If circumstances arise that may change the estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or remaining costs to complete and are reflected in income in the period in which the circumstances that gave rise to the revision become known to the Group. When total cost estimates exceed estimated revenues, the Group will accrue for the estimated losses immediately. Contingent revenues relating to consulting contracts are recognized when the contingency is satisfied and the Group concludes the amounts are earned.

Subscription revenue

The Group provides hosted subscription solutions including updating the information on a continuous basis, which allows the customers the right to access the offering for a contracted term. The contract terms vary by customer from six months to two years. The subscription revenue is recognized ratably over the term covered by the subscription period.

Open Market Report revenue

The Group provides open-market technical reports to its customers. Revenues are recorded at the time the report is delivered to the customer either electronically through delivery of an access token or through physical shipment of a digital copy of the report on a memory device.

Membership revenue

The Group offered a new loyalty program whereby customers enter into a master service agreement which entitles the customer to a discount, preferential scheduling and the ability to reserve time slots for future purchases of services. These options provide a material right to the customer throughout the term of the agreement and the entity recognizes membership revenue monthly over the program period. The duration of each program period is for the 12 months following the effective date of the agreement.

4.17 Investment tax credits

Investment tax credits are recognized where there is reasonable assurance that the investment tax credits will be realized. The investment tax credits are recognized as income as a reduction to the related expenses in the year earned.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

4. Accounting policies (continued)

4.18 Taxation

Current tax for the current and prior years is recognized, to the extent unpaid, as a liability at the amount expected to be paid to the taxation authorities. The tax liabilities are measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition [other than in a business combination] of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Current tax expense and deferred tax expense are recognized in profit and loss except to the extent they arise from a transaction or event recognized in other comprehensive income or directly in equity. Any such tax expense is recognized in other comprehensive income or in equity respectively.

The Group is a multi-national Group with tax liabilities arising in many geographical locations. This inherently leads to complexity in the Group's tax structure. Therefore, the calculation of the Group's current tax liabilities and tax expense involves a degree of estimation and judgment in respect of items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The resolution of issues is not always within the control of the Group and issues can, and often do, take many years to resolve. The tax liabilities recognized in the consolidated financial statements are measured at the Group's estimate of tax that may become payable. Payments in respect of tax liabilities for an accounting year result from payments on account and on the final resolution of open items. As a result, there can be substantial differences between the tax charge in the Consolidated Statement of Profit or Loss and tax payments. The final resolution of certain of these items may give rise to material Profit or Loss and/or cash flow variances. Any difference between expectations and the actual future liability will be accounted for in the year identified.

4.19 Offsetting financial assets and liabilities

The Group offsets financial assets and financial liabilities and present the net amount on the Consolidated Statements of Financial Position when we have a legal right to offset them and intend to settle on a net basis or realize the asset and liability simultaneously.

4.20 Deferred revenue (contract liabilities)

Billings in excess of revenues recognized are recorded as deferred revenues until services are performed and the revenue has been earned.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

4. Accounting policies (continued)

4.21 Share capital

Share capital issued by the Company is recorded at the fair value of the proceeds received net of direct issue costs. Where any Company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects are included in equity attributable to the owners of the Company.

Ordinary shares of the company are classified as equity. Mandatory redeemable preference shares and other classes of share where an obligation exists to transfer economic benefits are classified as liabilities.

Treasury shares are presented in the balance sheet as a deduction from equity, and the acquisition of treasury shares should be presented in the financial statements as a change in equity.

4.22 Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors.

Dividends on preference shares, which are classified as a financial liability, are treated as finance costs and are recognised on an accruals basis when an obligation exists at the reporting date.

5. Accounting estimates and judgements

5.1 Judgement

The following are the critical judgments, apart from those involving estimations, that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

Identification of CGUs

The Group has allocated its tangible, intangible assets and goodwill to the smallest identifiable group of assets that generate cash inflows and that are largely independent of the cash inflows from other assets. The determination of CGUs or groups of CGUs for the purpose of annual impairment testing requires judgment.

Internally developed intangible assets

Initial capitalization of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the useful life of the internally generated intangible asset, management makes assumptions regarding the expected period of benefits. The amounts and useful lives assigned to internally-generated intangible assets impacts the amount and timing of future amortization expense. The Group also makes judgments with regards to the point in time in which an internally generated intangible asset may not be viable and the related costs are written-off.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

5. Accounting estimates and judgements (continued)

5.2 Estimates and assumptions

The following estimates are based on management's best knowledge of current events and actions that the Group may undertake in the future. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

Revenue recognition

The Group's contracts have different terms based on the scope, deliverables and complexity of the engagement, which frequently require the Group to make judgments and estimates in recognizing revenues.

Fee for Service revenue when based on fixed fees requires the Group to make estimates regarding the stage of completion and the total services expected to be performed by considering historical data of similar contracts, the expected costs to be incurred and the time rendered to date. If the Group's estimates are not accurate this could negatively impact the Group's financial results.

Impairment of goodwill and non-financial assets

The Group estimates value in use by discounting estimated future cash flows from the CGU or asset to its present value using a pre-tax discount rate reflecting a current market assessment of the time value of money and certain risks specific to the asset. Estimated cash flows are based on management's assumptions and business plans which are supported by internal strategies, plans and external information. The estimate of the recoverable amount for an asset or CGU requires significant estimates such as future cash flows and growth, terminal growth and discount rates.

Taxes

The ultimate realization of deferred tax assets is dependent upon future taxable income during the years in which these assets are deductible. A deferred tax asset is recognized to the extent that it is probable that the assets can be recovered based upon the probable timing and level of future taxable income together with future tax planning strategies. The Group regularly assesses all negative and positive evidence to evaluate the recoverability of its deferred tax assets including an evaluation of the nature and the amount of significant tax assets and their carry-forward period, the Group's recent earnings history, forecasts of future earnings and the Group's ability to reasonably forecast sufficient future earnings.

The Group accrues income and other tax provisions based on information currently available in each of the jurisdictions in which the Group operates. While the Group believes it has paid and provided for adequate amounts of tax, our business is complex and significant judgment is required in interpreting how tax legislation and regulations apply to the Group. The Group's tax filings are subject to audit by the relevant government revenue authorities and the results of the government audit could materially change the amount of our actual income tax expense, income tax payable or receivable, other taxes payable or receivable, and deferred income tax assets and liabilities and could, in certain circumstances, result in the assessment of interest and penalties.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

6. Group Information

Details of the Group's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group (%)	
			2018	2017
1) TechInsights Inc.	Data and information products - technology & intellectual property		100	100
2) TechInsights Europe Sp zoo	Technical reverse engineering services	Poland	100	100
3) TechInsights Japan KK	Provides sales and marketing services	Japan	100	100
4) TechInsights Taiwan Limited	Provides sales and marketing services	Taiwan	100	100
5) TechInsights Korea Co. Limited	Provides sales and marketing services	Korea	100	100
6) TechInsights Europe Limited	Provides sales and marketing services	United Kingdom	100	100
7) TechInsights USA Inc.	Provides sales and marketing services	USA	100	100
8) Chipworks Limited	Inactive	Barbados	100	100
9) Sanguine Microelectronics Corporation Limited	Inactive	British Virgin Islands	100	100
10) Sanguine Microelectronics (Shanghai) Co Limited	Inactive	China	100	100

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

6. Group Information (continued)

1) TechInsights Inc.

Directly held by AXIO Technical Intelligence Holdco Limited. On January 1, 2018, two inactive entities TechInsights Canada Inc. (including the Taiwan and Korean Branches) and TLS Microelectronics Inc. amalgamated with TechInsights Inc.

5) TechInsights Korea Co. Limited

In 2018 the subsidiary changed its legal name from Chipworks Korea Co. Limited to TechInsights Korea Co. Limited.

6) TechInsights Europe Limited

In 2018 the subsidiary changed its legal name from Chipworks Europe Limited to TechInsights Europe Limited.

7) TechInsights USA Inc.

On August 31, 2018, management completed the dissolution of Chipworks USA Holdings Inc. and any activity will be continued under TechInsights USA Inc.

Information about holding companies

Name	Relationship	Country
Oakley Capital Private Equity III (Fund III)	Ultimate controlling party	Bermuda
Maple Investco Limited	Parent	Bermuda
Maple Bidco Limited	Top company in the TechInsights Company	United Kingdom
AXIO TI Holdings Limited	Holding Company of TechInsights (Holdco Ltd)	United Kingdom
TechInsights (Holdco) Limited	Holding Company of AXIO Technical Intelligence Holdco Ltd	United Kingdom

Ultimate controlling company

The ultimate controlling party is Oakley Capital Private Equity III (Fund III).

Maple Investco Limited

Parent company to Maple Bidco Limited. It is a holding company registered in the Bermuda on 4 May 2017 and its registered address is Mintflower Place, 3rd Floor 8 Par La Ville Road. Hamilton. Bermuda. HM 08.

Maple Bidco Limited

Maple Bidco Limited is the top company in the TechInsights Group. It is a holding company registered in the United Kingdom on 4 May 2017 and its registered address is 3 Cadogan Gate, London, Sw1X 0AS. It produces consolidated financial statements, which are available at the above address, and represents the highest level at which the Company's financial information is consolidated.

AXIO TI Holdings Limited

AXIO TI Holdings Limited, a holding company registered in the United Kingdom on 10 December 2015 and its registered address is 68 Lombard Street, London, EC3V 9LJ.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

6. Group Information (continued)

TechInsights (Holdco) Limited

TechInsights (Holdco) Limited, a holding company registered in the United Kingdom on 18 February 2013. It has a registered address of 68 Lombard Street, London, EC3V 9LJ.

7. Reconciliation of operating profit to underlying continuing EBITDA

The reconciliation of the operating profit from continuing operations per the Consolidated Statement of Profit and Loss to the EBITDA per the strategic report is as follows:

	2018 \$000		
	Consolidated Statement of Profit and Loss	Other exceptional items (note 10)	Underlying results for period ended 31 December
Revenue	51,820	-	51,820
Operating profit	12,235	1,585	13,820
Depreciation	545	-	545
Amortization	2,141	-	2,141
EBITDA	14,921	1,585	16,506

	2017 \$000		
	Consolidated Statement of Profit and Loss	Other exceptional items (note 10)	Underlying results for period ended 31 December
Revenue	47,510	-	47,510
Operating profit	6,479	5,152	11,631
Depreciation	767	-	767
Amortization	2,291	-	2,291
EBITDA	9,537	5,152	14,689

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

8. Revenue

The following is an analysis of the Group's revenue for the year from continuing operations:

	2018 \$000	2017 \$000
Fee for service revenue	31,600	33,095
Subscription revenue	12,865	9,624
Open-market report revenue	7,117	4,791
Membership revenue	238	-
Total Revenue	51,820	47,510

Timing of revenue recognition:

	2018 \$000	2017 \$000
Goods and services transferred at a point in time	7,117	4,791
Goods and services transferred over time	44,703	42,719
	51,820	47,510

The group applies the practical expedient in paragraph 94 of IFRS 15 and recognises the incremental costs of obtaining contracts as an expense when incurred as the amortisation period of the assets that the group otherwise would have recognised is one year or less.

The group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less

9. Common control transaction

There were no common control transactions in 2018 (2017: nil).

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

10. Operating expenses, exception expenses and auditor's remuneration

	2018 \$000	2017 \$000
Employee costs	(23,842)	(21,906)
Depreciation of property, plant and equipment	(545)	(767)
Amortisation of intangible assets	(2,141)	(2,291)
Exceptional restructuring costs	(1,585)	(4,989)
Exceptional acquisition costs	-	(163)
Other operating expenses	(11,472)	(10,914)
Total expenses	(39,585)	(41,030)

Restructuring costs and acquisition costs are disclosed separately as exceptional items to better reflect the underlying performance of the Group. Included in the current year exceptional restructuring costs are mainly expenses relating to the restructuring of the Group legal and management structures.

	31 December 2018 \$000	31 December 2017 \$000
<i>Auditor's remuneration</i>		
Audit of these financial statements	(130)	(171)
Amounts receivable by the Group's auditor and its associates in respect of:		
- Tax compliance services	(184)	(167)
- Exceptional acquisition costs	-	(161)
- Other services	(188)	(98)
Total remuneration paid to Auditor and its affiliates	(502)	(597)

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

11. Net financing expense

Recognised in profit or loss

	2018	2017
	\$000	\$000
Finance income		
- Interest income	35	14
	35	14
Finance expense		
Interest expense	(4,187)	(1,875)
Net foreign exchange gain (loss) on financial instruments	265	(2,560)
Amortisation of issue costs	(266)	(516)
Loss on forward contracts	(1,300)	(127)
Loans from group undertakings	-	(1,535)
Finance charge expense	(37)	(11)
	(5,525)	(6,624)
Total finance expense		
	(5,490)	(6,610)
Net financing expense	(5,490)	(6,610)

12. Employee costs

	2018	2017
	\$000	\$000
Employee costs (excluding director emoluments) comprise:		
Wages and salaries	(20,954)	(19,283)
Defined contribution pension cost	(313)	(436)
Social security contributions and similar taxes	(2,575)	(2,187)
	(23,842)	(21,906)
	(23,842)	(21,906)

Redundancy costs of USD \$0.9M (2017: \$0.2M) are excluded from the above figures and instead presented within restructuring costs in the consolidated statement of profit and loss.

None of the directors were paid director emoluments by the Group during the period (2017: \$nil). No directors are accruing benefits under defined benefit pension schemes.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

13. Tax expense

13.1 Income tax recognised in profit or loss

	2018 \$000	2017 \$000
Current tax		
Current tax on profits for the year	(738)	(1,243)
Adjustments in respect of prior years	302	120
Withholding tax	(74)	(213)
Total current tax	<u>(510)</u>	<u>(1,336)</u>
Deferred tax expense		
Origination and reversal of timing differences	(1,639)	113
Adjustments in respect of prior years	(83)	(86)
Total deferred tax	<u>(1,722)</u>	<u>27</u>
Total tax expense	<u><u>(2,232)</u></u>	<u><u>(1,309)</u></u>

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

13. Tax expense (continued)

13.1 Income tax recognised in profit or loss (continued)

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2018 \$000	2017 \$000
Profit/(loss) for the year	4,513	(1,439)
Income tax expense	2,232	1,309
Profit/(loss) before income taxes	6,745	(130)
Tax using the Company's domestic tax rate of 19% (2017:19.25%)	1,282	(25)
Losses and timing differences not recognized for tax purposes	-	200
Losses surrendered to other companies within tax grouping for nil consideration	2	140
Difference in tax rates between UK and foreign jurisdictions	573	202
Adjustments to tax charge in respect of prior periods	(219)	(34)
Change in timing differences not recognized	176	-
Non-deductible expense / Non-taxable income	181	233
Impact of change in functional currency for tax purposes	-	83
Impact of tax elections made in the year	-	(61)
Impact of change in enacted future tax rates	-	129
Other taxes	238	449
Other	(1)	(7)
Total tax expense	2,232	1,309

The income tax charge/(credit) relating to components of other comprehensive income is \$nil (2017: \$nil).
The income tax charged/(credited) directly to equity during the period is \$nil (2017: \$nil).

Changes in tax rates and factors affecting the future tax charges

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) were substantively enacted on 6 September 2016.

On December 22, 2017, the US Tax Cuts and Jobs Act of 2017 ("the Act") was signed into legislation. The Act includes a broad range of legislative changes including a reduction of the US federal corporate income tax rate from 35 per cent to 21 per cent effective January 1, 2018, limitations on the deductibility of interest, treatment of deferred foreign income upon transition for deemed repatriation, and 100 per cent expensing of qualified property.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

13. Tax expense (continued)

13.2 Current tax assets and liabilities

	2018 \$000	2017 \$000
Current tax liabilities		
Corporation tax payable	332	219
	332	219
	332	219

13.3 Deferred tax balances

The following is the analysis of deferred tax (liabilities)/assets presented in the consolidated statement of financial position:

	2018 \$000	2017 \$000
Recognized deferred tax		
Deferred tax assets	114	3,181
Deferred tax liabilities	(1,411)	(2,755)
	(1,297)	426
Net deferred tax (liability)/asset	(1,297)	426

Deferred income tax assets are recognized for carried forward tax losses and deductible temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable. Deferred income tax assets of \$0.50M (2017: \$0.3M) have not been recognized in respect of carried forward tax losses amounting to \$1.5M (2017: \$1.2M) and unrealised foreign exchange losses of \$0.9M (2017: \$nil) because it is not probable that sufficient future taxable profit will be available against which the relevant Company entities can realize the benefits therefrom.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

13. Tax expense (continued)

13.3 Deferred tax balances (continued)

	Opening balance \$000	Recognised in profit or loss \$000	Closing balance \$000
2018			
Property, plant and equipment	410	25	435
Intangible assets (net)	(1,881)	315	(1,566)
Provisions	712	(96)	616
Deferred research and development costs	1,953	(1,953)	-
Other items	44	34	78
Tax losses carried forward	39	(8)	31
Investment tax credits	(851)	(39)	(890)
	<u>426</u>	<u>(1,722)</u>	<u>(1,296)</u>
Net deferred tax asset/(liability)			

	Opening balance \$000	Recognised in profit or loss \$000	Transfer \$000	Closing balance \$000
2017				
Property, plant and equipment	389	21	-	410
Intangible assets (net)	(2,376)	495	-	(1,881)
Provisions	175	537	-	712
Deferred research and development costs	1,148	16	789	1,953
Other items	117	(73)	-	44
Tax losses carried forward	946	(907)	-	39
Investment tax credits	-	(62)	(789)	(851)
	<u>399</u>	<u>27</u>	<u>-</u>	<u>426</u>
Net deferred tax asset				

14. Goodwill

	2018 \$000	2017 \$000
Cost	14,569	14,569
Carrying amount	<u>14,569</u>	<u>14,569</u>

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

14. Goodwill (continued)

	2018	2017
	\$000	\$000
Cost		
At 1 January	14,569	14,569
At 31 December	14,569	14,569

There was goodwill recognized in 2017 of \$14.6M from the acquisition of ATHL which was allocated to one cash generating unit (CGU) that benefited from the business combination. The CGU represents the one operating division of the Company.

The Company tests goodwill annually for impairment or more frequently if there are indications that goodwill or intangible assets might be impaired.

When testing for impairment, the recoverable amount for the Company's CGU is measured at its value in use by discounting the future expected cash flows from the assets in the CGU. This calculation uses cash flow projections based on Board approved budgets and management expectations. The year covered by the most recent financial budgets and forecasts approved by management is to the end of 2023. The forecast cash flows beyond this period are based on a projected annual growth rate of 2%.

The carrying amount of goodwill, and key assumptions used for value-in-use calculation are as follows:

	Carrying value	Pre-tax discount rate	Perpetuity growth rate
AXIO Technical Intelligence Holdco Limited	\$14.6M	26.7%	2.0%

Based on the tests performed, no impairment has been recorded in 2018 (2017: \$Nil).

Key Assumptions:

- EBITDA cumulative annual growth over 5-year period is 13.4%
- Terminal growth rate is 2.0%
- Weighted-average cost of capital (WACC) is 26.7%

Sensitivities:

The measurement of value in use is sensitive to changes in the above key assumptions and in the assumptions about economic growth and market penetration that underpin the cash flow projections. Using the base case assumptions, there is headroom of \$22.5M before an impairment is reached. Headroom disappears if EBITDA cumulative annual growth drops to 7.1% or if the WACC increases to 36.7%. In relation to the terminal growth rate assumption, management believes that there is no reasonably possible change in this assumption which would cause the available headroom to be used up in its entirety.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

14. Goodwill (continued)

14.1 Allocation of goodwill to cash generating units

Goodwill is allocated to the Group's cash generating unit as follows:

	2018 \$000	2017 \$000
TechInsights Inc.	14,569	14,569
	14,569	14,569

TechInsights Inc.

For the purpose of the consolidated financial statements of AXIO Technical Intelligence Holdco Limited, management has allocated goodwill and performed impairment testing on single CGU, TechInsights Inc. This TechInsights Inc. represents the main operating segment of the consolidated company.

15. Intangible assets

	Internally generated software \$000	Customer relationships \$000	Data sets & Software \$000	Brands \$000	Total Intangible Assets \$000
Cost					
At 1 January 2017	1,520	4,855	4,969	3,053	14,397
Additions	37	-	-	-	37
Effects of movement in foreign exchange	-	8	(2)	15	21
At 31 December 2017	1,557	4,863	4,967	3,068	14,455
Additions	653	-	-	-	653
Impairment charge	(87)	-	-	-	(87)
Effects of movement in foreign exchange	-	(1)	-	-	(1)
At 31 December 2018	2,123	4,862	4,967	3,068	15,020

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

15. Intangible assets (continued)

	Internally generated software \$000	Customer relationships \$000	Data sets & Software \$000	Brands \$000	Total Intangible Assets \$000
Amortization and impairment					
At 1 January 2017	(443)	(1,006)	(1,546)	(332)	(3,327)
Amortization charge for the year	(220)	(924)	(993)	(154)	(2,291)
Effects of movement in foreign exchange	(161)	18	108	14	(21)
At 31 December 2017	(824)	(1,912)	(2,431)	(472)	(5,639)
Amortization charge for the year	(271)	(861)	(856)	(153)	(2,141)
Effects of movement in foreign exchange	2	1	-	-	3
At 31 December 2018	(1,093)	(2,772)	(3,287)	(625)	(7,777)
Net book value					
As at 31 December 2017	733	2,951	2,536	2,597	8,817
As at 31 December 2018	1,030	2,090	1,680	2,443	7,243

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

16. Property, plant and equipment

	Leasehold Improvements \$000	Machinery and office equipment \$000	Total \$000
At 1 January 2017	2,441	12,842	15,283
Additions	836	508	1,344
Impairment charge	(1,159)	-	(1,159)
Foreign exchange movements	1	63	64
At 31 December 2017	2,119	13,413	15,532
Additions	27	1,647	1,674
Disposals	(148)	(30)	(178)
Foreign exchange movements	-	(20)	(20)
At 31 December 2018	1,998	15,010	17,008
	Leasehold Improvements \$000	Machinery and office equipment \$000	Total \$000
Accumulated depreciation and impairment			
At 1 January 2017	(1,898)	(11,806)	(13,704)
Charge owned for the year	(210)	(557)	(767)
Impairment charge	974	-	974
Exchange adjustments	(2)	(42)	(44)
At 31 December 2017	(1,136)	(12,405)	(13,541)
Charge owned for the year	(173)	(372)	(545)
Disposals	148	27	175
Exchange adjustments	19	1	20
At 31 December 2018	(1,142)	(12,749)	(13,891)
Net book value			
At 1 January 2017	543	1,036	1,579
At 31 December 2017	983	1,008	1,991
At 31 December 2018	856	2,261	3,117

At December 31, 2018 total assets under finance leases totaled USD \$nil (2017: \$nil).

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

16. Property, plant and equipment (continued)

16.1 Impairment losses recognised in the year

A gain on sale of property, plant and equipment of USD (\$0.008M) (2017: impairment of \$0.19M) was recognized in exceptional restructuring costs in the consolidated statement of profit or loss and other comprehensive income.

17. Trade and other receivables

	2018	2017
	\$000	\$000
Trade receivables	6,680	11,047
Less: provision for impairment of trade receivables	(97)	(404)
Trade receivables - net	6,583	10,643
Receivables from related parties	12	310
Prepayments and accrued income	3,109	2,633
Other receivables	134	209
	9,838	13,795
Investment tax credits (note 18)	3,133	2,758

Movements in the impairment allowance for trade receivables are as follows:

	2018	2017
	\$000	\$000
At 1 January	(404)	-
Balance, at acquisition	-	(299)
Movements in the year	279	(52)
Receivable written off during the year as uncollectible	(35)	(70)
Unused amounts reversed	63	17
	(97)	(404)

The movement in the current year represents the reversal of the impairment losses set up in prior years. The Group received unexpected payments from customers during the year.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

18. Investment tax credits

	2018	2017
	\$000	\$000
As at 1 January	2,758	3,253
Received during the year	674	510
Applied to offset taxes otherwise payable	(299)	(1,005)
As at 31 December	3,133	2,758

Investment tax credits have been received for scientific research and experimental development expenses. These investment tax credits are non-refundable and can be applied to offset future income taxes otherwise payable.

19. Investments

	2018	2017
	\$000	\$000
Current		
Investments (a)	220	241
Total current investments	220	241
Non-current		
Investments (b) (c)	-	103
Total non-current investments	-	103
Total investments	220	344

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

19. Investments (continued)

(a) The Group holds a Guaranteed Investment Certificate (GIC) that carries interest at a fixed rate of 2% per annum (2017: 0.08%). The GIC has a maturity date of 13 November 2019. The asset is not considered impaired at the end of the reporting period. The carrying amounts (including accrued interest) of assets pledged as security for company's corporate credit card program. This financial asset is recorded at amortised cost.

(b) The Company holds less than 1% of the ordinary share capital of Grafoid Inc., a Canadian start-up company involved in developing uses for graphene. The Company does not exercise significant influence over Grafoid Inc. as it is not involved in the day-to-day operations of that company. The fair value of this equity investment is determined using a discounted cash flow projection. Grafoid has negative cash flow projections, as such an impairment has been recorded in 2018 for USD \$0.1M (2017: USD \$nil). There is estimation uncertainty associated with determining the recoverable amount for the investment in Grafoid as it is a privately-held research and development company, has a net asset deficiency and is dependent on future financing's to continue to operate as a going concern. Financial asset is at fair value through profit or loss.

(c) The Company also holds 17,579 of ordinary share capital of Inventergy Global Inc., a Silicon Valley-based intellectual property company dedicated to identifying, acquiring and licensing the patented technologies of market-significant technology leaders. Inventergy common stock was suspended on June 7, 2017 from trading on the NASDAQ. The Company determined that due to the financial difficulties of Inventergy that its AFS investment was impaired and recognized the impairment loss of USD \$nil (2017: \$0.012M) in in other operating expenses at the end of the reporting period. Financial asset is at fair value through profit or loss.

20. Loans and borrowings

	2018 \$000	2017 \$000
Non-current		
Bank loans - secured	62,596	43,962
	<u>62,596</u>	<u>43,962</u>
Current		
Bank loans - secured	650	520
	<u>650</u>	<u>520</u>
Total loans and borrowings	<u><u>63,246</u></u>	<u><u>44,482</u></u>

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

20. Loans and borrowings (continued)

	2018			
	Stellus Term Loan (a) (b)	31 December		
As at 1 January	44,482	44,482		
Notes issued during the period	26,250	26,250		
Loan issue costs	(445)	(445)		
Amortization of issue costs	266	266		
Interest expense	4,187	4,187		
Interest payments	(4,206)	(4,206)		
Principal repayments	(7,288)	(7,288)		
Total interest-bearing loans and borrowings	63,246	63,246		

	2017			
	Stellus Term Loan (a) (b)	RBC Loan (c)	Other term loans (d) & Finance leases (e)	31 December
As at 1 January	-	9,944	283	10,227
Notes issued during the period	50,000	-	-	50,000
Preferred shares issued during the period	-	-	-	-
Loan issue costs	(1,505)	-	-	(1,505)
Amortization of issue costs	92	424	-	516
Interest expense	1,441	429	4	1,874
Interest payments	(1,421)	(495)	(4)	(1,920)
Principal repayments	(4,125)	(10,302)	(283)	(14,710)
Total interest-bearing loans and borrowings	44,482	-	-	44,482

On August 16, 2017, the Company entered into a credit agreement providing a borrowing capacity of up to \$53M through the following facilities (a) Term Loan and (b) Revolving Commitment. On October 2, 2018, the Company executed a first amendment to credit agreement where the Lenders provided an additional term loan to the TechInsights Inc. in the aggregate principal amount of \$26,250,000.

a) **Term Loan** - a \$65M (2017 - \$50M), 5-year term loan (the "term loan") bearing interest at the LIBOR reference rate for each interest period, plus 6.0% (2017 - 6.50%). The term loan includes an early repayment option (the "prepayment option") which provides for the early repayment of all or part of the outstanding principal and accrued interest, subject to early repayment terms and fees. In connection with securing the term loan, the Company incurred an additional USD \$0.5M (2017 - \$1.5M) in transaction costs.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

20. Loans and borrowings (continued)

Following initial recognition, the term loan was being recognized at amortized cost with an effective interest rate of 8.94% (2017 - 8.6%). During the period to December 31, 2018, the Company made USD \$7.3M in principal repayments, which included USD \$7M (2017 - USD \$4M) in early repayments under the prepayment option. Following increases in the LIBOR reference rate, the effective rate increased from 8.2% to 8.39% (2017 - 7.82% to 8.2%) during the period. At December 31, 2018, the revised effective interest rate is 8.81% (2017 - 8.2%).

100% of the equity in the subsidiaries of AXIO Technical Intelligence Holdco Limited, all owned real property and all registered intellectual property has been pledged as collateral to the loan.

The Credit Facility contains covenants that are customary for facilities of this nature. The credit facilities also impose certain financial covenants the Company must monitor, report and comply with each fiscal quarter. The Company was in compliance with all covenants contained in the Credit Facility as at December 31, 2018 and 2017.

b) Revolving commitment - a revolving commitment was made available up to \$3M (which is reduced to \$1.5M from August 17, 2018 onwards unless otherwise agreed) from the closing date of August 17th, 2017 to the earliest of (a) August 16, 2020 (extendable in one year-increments), (b) upon termination of the revolving commitment by the Company, and (c) upon default. The interest rate on the revolving commitment is equal to the LIBOR Reference Rate plus 6% (2017: 6.5%).

The Company is also required to pay a commitment fee on the revolving commitment at a rate per annum equal to (i) 0.50% times (ii) the actual average daily amount by which the available commitment exceeds the outstanding amount of revolving loans drawn down by the Company, payable quarterly on the last day of each calendar quarter.

The Company has designated the revolving commitment as a prepaid expense under trade and other receivables. The transaction costs of \$0.09M allocated to the revolving commitment on a pro-rata basis, have been deferred and presented in Trade and Other Receivables asset on the Consolidated Statement of Financial Position. The transaction costs are being amortized rateably to net operating expense in the Consolidated Statement of Profit and Loss over the term of the revolving facility (3 years). The ending balance in Trade and Other Receivables is USD \$0.07M (2017: USD \$0.1M) at 31 December 2018.

During the period ended December 31, 2018 (2017: USD \$nil), the Company made no drawdowns under the revolving commitment facility.

c) RBC Loan

In 2017, the outstanding RBC loan, bearing interest at a US base rate plus 2.75% that was due 1 June 2019, was extinguished using the proceeds from the Stellus term loan. No principal (2017: \$10.3M) or interest (2017: \$0.5M) was paid in 2018. Therefore, as at 31 December 2018, the balance of notes outstanding was \$nil (2017: \$nil) and accrued interest was \$nil (2017: \$nil). The Company incurred \$Nil (2017 - \$0.2M) of legal costs to extinguish the loan which was recognized in operating expenses in the Consolidated Statement of Profit and loss.

d) Other term Loans

As part of the acquisition of TechInsights Group, the Company obtained a number of unsecured loans bearing interest at rates between 4.3% and 5.255% per annum. Principal and interest payments are made monthly and mature within 12 months of the balance sheet date. As at 31 December 2018 and 2017, there was no outstanding notes and accrued interest payable.

e) Finance leases

The Company inherited a finance lease during 2017 from acquisition. The equipment related to the lease is recorded as a finance lease in property, plant and equipment but has a net book value of USD \$nil.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

20. Loans and borrowings (continued)

The remaining obligations at 31 December 2018 and 2017 is USD \$nil.

The carrying value of loans and borrowings classified as financial liabilities measured at amortised cost approximates fair value.

21. Trade and other payables

	2018 \$000	2017 \$000
Trade payables	3,884	4,016
Payables to related parties	17	163
Other payables and accrued expenses	158	368
Sales and payroll tax	44	105
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	4,103	4,652
Less: current portion - trade payables	(3,884)	(4,016)
Less: current portion - payables to related parties	(17)	(163)
Less: current portion - other payables and accrued expenses	(57)	(209)
Less: current portion - sales and payroll tax	(43)	(105)
Total current portion	(4,001)	(4,493)
Total non-current position	102	159

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

22. Provisions

	2018	2017
	\$000	\$000
As at 1 January	2,493	206
Additions	710	2,483
Release	(906)	(196)
Balance, end of year	2,297	2,493
Non-current	1,581	2,127
Current	716	366
	2,297	2,493

During the period ended December 31, 2018, the Company recorded a provision for severance in the amount of USD \$0.7M. In December 31, 2017 the Company recorded a discounted rent provision for the vacant property under operating lease in the amount of \$2.5M. The provision amounts are recognized in Exceptional restructuring costs in the Consolidated Statement of Profit and Loss. The non-current balance includes the long-term portion of this provision that extends to 2024.

23. Deferred revenue

	2018	2017
	\$000	\$000
Balance at 1 January	6,358	4,818
Revenue recognised that was included in the contract liability balance at the beginning of the year	(6,358)	(4,818)
Revenue deferred as at December 31	8,125	6,358
Balance at December 31	8,125	6,358

Contract liability balances arise mainly when customers are invoiced up front for their subscription and the revenue is recognised over time. The remaining performance obligations is expected to be one year or less.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

24. Financial instruments - fair values and risk management

24.1 Accounting classifications and fair values

Trade and other receivables, cash, investments, loans and borrowings and trade payables and provisions are measured at amortised cost. The carrying amounts of trade and other receivables, cash, investments, loans and borrowings and trade payables and provisions approximate fair market value due to the short-term maturity of these instruments. Forward contracts are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

24.2 Financial risk management objectives

Company Management is responsible for the risk management of the treasury activity. Treasury activity is principally concerned with the monitoring of operating liquidity, managing funding requirements related to the resolution of legacy issues and the monitoring and management of the rolling cash flow. The Company and its subsidiaries are governed by financial policies and procedures implemented for the whole of the Company. Information concerning the Company's exposure to interest rate risk, foreign currency risk, liquidity risk and credit risk is set out below.

The Company does not enter into such instruments for speculative purposes and only enters into forward contracts to manage its foreign exchange risk.

24.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, and derivative financial instruments. Due to the Company's operations commodity risk is not significant.

24.4 Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Canadian Dollar	6,777	8,015	6,264	6,384
Japanese Yen	186	97	666	1,462
Euro	-	8	416	999
Taiwan New Dollar	98	288	1,258	1,020
	<u>7,061</u>	<u>8,408</u>	<u>8,604</u>	<u>9,865</u>

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

24. Financial instruments - fair values and risk management (continued)

24.4 Foreign currency risk management (continued)

Foreign currency sensitivity analysis

The Group is mainly exposed to the Canadian Dollar and the Japanese Yen. The Company trades in foreign currencies, principally in Japanese Yen and Euro with some collections of cash in Taiwan New Dollars. The Company's expenses are primarily denominated in CAD while revenues are weighted to its functional currency of USD. The Company has twelve open USD/CAD foreign exchange forward contracts place as at 31 December 2018 with an ending net liability position of USD \$0.9M (2017: \$0.08M). The Company does not apply hedge accounting in respect of these forward contracts.

The following table details the Group's sensitivity to a 10% increase and decrease in the US dollars against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit or equity where the US dollars strengthens 10% against the relevant currency. For a 10% weakening of the US dollars against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

24. Financial instruments - fair values and risk management (continued)

24.4 Foreign currency risk management (continued)

	Effect on profit/(loss) before tax		Effect on capital and reserves	
	2018	2017	2018	2017
<i>Canadian Dollar</i>				
- 10% fall	47	148	34	(109)
- 10% rise	(57)	(181)	(42)	133
<i>Japanese Yen</i>				
- 10% fall	(44)	(124)	(32)	91
- 10% rise	53	152	39	(112)
<i>Euro</i>				
- 10% fall	(40)	(90)	(29)	66
- 10% rise	48	110	36	(81)
<i>Taiwan New Dollar</i>				
- 10% fall	(105)	(67)	(78)	49
- 10% rise	129	81	95	(60)

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company earns revenue and undertakes purchase transactions in foreign currencies, and therefore is subject to gains and losses due to fluctuations in the foreign currencies. The Company manages its exposure to changes in the Canadian/U.S. exchange rate on anticipated expenses and debt payments by buying forward U.S. dollars at fixed rates in future periods. As at December 31, 2018, the Company held 12 (2017: 12) foreign exchange forward purchase agreements maturing on a monthly basis to December 2019 (2017: December 31, 2018) for a notional amount of USD \$13.4M (2017: \$13.6M). These agreements fix the amount of Canadian dollars that the Company will pay to buy USD to offset its purchases in USD and the rates entered into range from 1.2203 to 1.3032 (2017: 1.2429 to 1.2810). Total realized foreign exchange losses during period ended December 31, 2018 on foreign exchange transactions were USD \$0.4M (2017: \$0.04M). The unrealised loss on forward contracts during the period ended December 31, 2018 were USD \$0.9M (2017: \$0.08M).

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

24. Financial instruments - fair values and risk management (continued)

24.5 Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk because the entities in the Group borrow funds with both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a variable LIBOR interest rate adjustment to the borrowings.

Interest rate sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Increase/decrease in basis points		Effect on profit/(loss) before tax	
	2018	2017	2018	2017
Interest-bearing loans and borrowings				
<i>Impact of Libor + 50bps in December 2018</i>	182	128	(248)	(174)
<i>Impact of Libor + 100bps in December 2018</i>	365	256	(496)	(349)
<i>Impact of Libor - 50bps in December 2018</i>	(182)	(128)	248	174
<i>Impact of Libor - 100bps in December 2018</i>	(365)	(256)	496	349

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

24. Financial instruments - fair values and risk management (continued)

24.6 Credit risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

Credit risk is managed on a Company basis. Credit risk arises principally from credit exposure to customers including committed transactions and outstanding receivables but also from cash and cash equivalents and deposits with banks and financial institutions. The Company reviews its banking arrangements carefully to minimize such risks. The maximum credit risk associated with the Company's financial instruments and cash deposits is equal to their carrying amount.

Trade and other receivables

Customer credit risk is managed by each business unit in accordance with the Company's established policy, procedures and controls relating to customer credit management. Credit limits are established for all customers and are based inter alia on bank references and credit checks. Outstanding customer receivables are regularly monitored.

Concentrations of credit risk with respect to trade receivables are limited due to the Company's customer base being large and unrelated and cash being generally received in advance for subscription and event revenues. The maximum credit risk associated with the Company's trade receivables is equal to their carrying amount.

Refer to Note 17 movements in the impairment allowance for trade receivables.

The following table outlines the aging of trade and other receivables as at 31 December:

	2018	2017
Current	5,002	7,487
1-30 days	860	1,648
31-60 days	301	983
61-90 days	141	440
91-120 days	297	231
121-150 days	13	51
151-180 days	33	17
181-365 days	5	171
>365 days	28	19
Total gross trade and other receivables	6,680	11,047
Less: allowance for doubtful accounts	(97)	(404)
Total trade and other receivables, net	6,583	10,643
	2018	2017
Africa and Middle East	-	14
Asia	1,779	3,948
Europe	966	1,811
North America	3,935	5,274
Total Trade Receivables	6,680	11,047

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

24. Financial instruments - fair values and risk management (continued)

24.6 Credit risk management (continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for all customers as the Company considers all customers to have similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than 180 days and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 24.1. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Set out below is the information about the credit risk exposure on the Company's trade receivables and using a provision matrix:

	Days past due					Total
	Current	<30 days	31-60 days	61-90 days	>91 days	
Expected credit loss rate	0.10%	0.16%	0.39%	0.69%	1.29%	
Estimated total gross carrying amount at default	5,002	860	301	141	376	6,680
Expected credit loss	5	1	1	1	5	13

In addition to the expected credit losses above, the Group recorded an additional allowance for specific customer accounts where there is reasonable and supportable information that indicated additional credit risk exists. Therefore, it has been reflected in the ending allowance balance of USD \$0.1M (2017: \$0.4M).

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

24. Financial instruments - fair values and risk management (continued)

24.7 Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Company Management evaluates the Company's actual and expected cash flows on a monthly basis to ensure that the Company continues as a going concern. The loan maturity profile, based on contractual undiscounted cash flows, of the Company is disclosed below.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Carrying amount \$000	Total \$000	1 - 3 months \$000	3 - 12 months \$000	1 - 2 years \$000	2 - 5 years \$000	More than 5 years \$000
31 December 2018							
Interest-bearing loans and borrowings	63,246	91,195	1,559	4,761	6,247	78,628	-
Trade payables and other liabilities	4,103	4,103	3,959	42	102	-	-
Provisions	2,297	2,297	342	374	305	1,276	-
	<u>69,646</u>	<u>97,595</u>	<u>5,860</u>	<u>5,177</u>	<u>6,654</u>	<u>79,904</u>	<u>-</u>

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

24. Financial instruments - fair values and risk management (continued)

24.7 Liquidity risk management (continued)

	Carrying amount \$000	Total \$000	1 - 3 months \$000	3 - 12 months \$000	1 - 2 years \$000	2 - 5 years \$000	More than 5 years \$000
31 December 2017							
Interest-bearing loans and borrowings	44,483	63,133	1,065	3,254	4,257	54,557	-
Trade payables and other liabilities	4,652	4,652	4,461	32	159	-	-
Provisions	2,493	2,493	116	246	332	996	803
	<u>51,628</u>	<u>70,278</u>	<u>5,642</u>	<u>3,532</u>	<u>4,748</u>	<u>55,553</u>	<u>803</u>

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

24. Financial instruments - fair values and risk management (continued)

24.7. Liquidity risk management (continued)

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

	1 - 3 months \$000	3 - 12 months \$000	1 - 2 years \$000	2 - 5 years \$000	More than 5 years \$000
31 December 2018					
Net settled:					
- foreign exchange forward contracts	304	631	-	-	-
Gross settles:					
	<u>304</u>	<u>631</u>	<u>-</u>	<u>-</u>	<u>-</u>

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

24. Financial instruments - fair values and risk management (continued)

24.7 Liquidity risk management (continued)

	1 - 3 months \$000	3 - 12 months \$000	1 - 2 years \$000	2 - 5 years \$000
31 December 2017				
Net settled:				
- foreign exchange forward contracts	30	53	-	-
Gross settles:				
	<u>30</u>	<u>53</u>	<u>-</u>	<u>-</u>

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

24. Financial instruments - fair values and risk management (continued)

24.8 Fair value measurements

This note provides information about how the Group determines fair values of various financial assets and liabilities.

The fair value of cash, trade and other receivables, investments (held-to-maturity assets of a 12-month GIC investment), and trade and other payables approximates their carrying amount due to the relatively short-term maturities of these instruments.

The fair value of interest-bearing loans and borrowings approximates their carrying amounts as these liabilities are variable rate loans.

Specific valuation technique is used to value financial instrument includes derivative financial instruments entered by the Company with counterparties, principally financial institutions with investment grade credit ratings. The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date.

Fair value of financial assets and liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/liabilities	Fair value at year end		Fair value hierarchy	Valuation technique(s) and key input(s)
	2018	2017		
Foreign exchange forward contracts - CAD dollars	(935)	(83)	Level 2	fair value through profit or loss; CAD to USD spot rate at December 31

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

25. Leases

Operating leases - lessee

Operating leases have varying terms, escalation clauses and renewal rights. The total future value of minimum lease payments is due as follows:

	2018 \$000	2017 \$000
Not later than one year	1,154	1,276
Between one year and five years	2,765	3,811
Later than five years	342	717
	<u>4,261</u>	<u>5,804</u>

Land and buildings operating leases represent USD \$4.18M (2017: USD \$5.7M) and other leases represents USD \$0.08M (2017: USD \$0.10M).

Amounts recognised in profit or loss:

	2018 \$000	2017 \$000
Minimum lease payments	654	759
	<u>654</u>	<u>759</u>

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

26. Related party transactions

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

26.1 Loans from related parties

The loans are intended to incentivise return of cash to the holding companies. These loans are unsecured and repayable on demand. Interest is charged at 7.00% - 7.25% and capitalizes into the loan balance occurs bi-annually. In August 2017, the related party loans were paid in full.

	2018							
	\$000							
	Principal at 1 Jan	Loans given (received)	Interest receivable (payable)	Interest (receipts) repayment	Principal repayment (receipts)	FX gain (loss)	Interest at 31 Dec	Principal at 31 Dec
TechInsights (Holdco) Limited	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

	2017							
	\$000							
	Principal at 1 Jan	Loans given (received)	Interest receivable (payable)	Interest (receipts) repayment	Principal repayment (receipts)	FX gain (loss)	Interest at 31 Dec	Principal at 31 Dec
TechInsights (Holdco) Limited	(5,004)	-	(235)	235	5,004	(364)	-	-
AXIO TI Holdings Limited	(22,261)	-	(1,071)	1,071	22,261	(1,617)	-	-
Maple Bidco Limited	(4,710)	-	(231)	231	4,710	(350)	-	-
Total	(31,975)	-	(1,537)	1,537	31,975	(2,331)	-	-

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

26. Related party transactions (continued)

26.2 Transactions with key management personnel

Key management personnel are comprised of people who served as directors of the Company during the period. None of the directors were paid director emoluments by the Group during the period (2017: \$nil) and other transactions are disclosed within this note.

The remuneration of the directors of key management personnel during the year was as follows:

	2018 \$000	2017 \$000
Short-term benefits	968	603
Post-employment benefits	13	9
Termination benefits	142	-
	1,123	612

26.3 Other related party transactions

Other related party transactions are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Transactions are as follows:

Related party relationship	Type of transaction	Transaction amount 2018 \$000	2017 \$000	Balance (due to)/due from 2018 \$000	2017 \$000
	Management fees				
Maple Bidco Limited		(431)	(163)	(17)	(163)
Maple Bidco Limited	Recharged costs	-	189	-	189
AXIO TI Holdings Limited	Recharged costs	12	121	12	121
Minority Shareholders of the Company	Management fees	-	(37)	-	-
AXIO Data Group Holdings Limited	Management fees	-	(141)	-	-
		(419)	(31)	(5)	147

For the years ended 31 December 2018 and 2017, no impairment charge was recognized relating to amounts owed by related parties. This assessment is undertaken each financial period through examining the financial position of the related party and the market in which the related party operates.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

27. Capital management

For the purposes of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders.

In order to achieve these overall objectives, the Group's capital management, amongst other things, aims to ensure that it meets covenants and obligations attached to the interest-bearing loans and borrowings that define capital structure requirements. The Company has honoured its obligations related to its interest bearing loans and borrowings in the current year.

Management assess the Group's capital requirements in order to maintain an efficient overall financing structure. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits.

	2018	2017
	\$000	\$000
Interest-bearing loans and borrowings (note 20)	63,246	44,483
Trade and other payables (note 21)	4,099	4,650
Provisions (note 22)	2,298	2,493
Less: cash	(5,266)	(2,518)
Net debt	64,377	49,108
Share capital (note 29)	860	1
Share premium (note 29)	-	16,991
Merger reserve (note 30)	(23,201)	(18,917)
Foreign currency translation reserve (note 30)	2,818	2,853
Profit and loss reserve (note 30)	(17,423)	(13,997)
Capital	(36,946)	(13,069)
Capital and net debt	27,431	36,039
Gearing ratio	235%	136%

28. Capital commitments

At 31 December 2018 (2017: \$nil) the Group had no commitments for capital expenditure.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

29. Share capital

Authorised

	2018 Number	2018 \$000	2017 Number	2017 \$000
Shares treated as equity				
Ordinary shares shares of £0.00001 each	10,000,000	1	10,000,000	1
A Ordinary shares shares of \$1.00000 each	858,758	859	-	-
	<u>10,858,758</u>	<u>860</u>	<u>10,000,000</u>	<u>1</u>

Shares treated as liability

Issued and fully paid

	2018 Number	2018 \$000	2017 Number	2017 \$000
Ordinary shares shares of £0.00001 each				
At 31 December	<u>10,000,000</u>	<u>1</u>	<u>10,000,000</u>	<u>1</u>

	2018 Number	2018 \$000	2017 Number	2017 \$000
A Ordinary shares shares of \$1.00000 each				
Shares issued	858,758	859	-	-
At 31 December	<u>858,758</u>	<u>859</u>	<u>-</u>	<u>-</u>

Share capital issued to acquire subsidiary from TechInsights (Holdco) Limited.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

30. Reserves

Share premium

	\$000
As at 1 January 2017 and 31 December 2017	16,991
Capital reduction (a)	(16,991)
Balance at 31 December 2018	-

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

	\$000
As at 1 January 2017	2,700
Other comprehensive income	153
Balance at 31 December 2017	2,853
Other comprehensive income	(35)
Balance at 31 December 2018	2,818

Merger Reserve

	\$000
As at 1 January 2017 and 31 December 2017	(18,917)
Capital reduction (a)	(3,428)
Share capital issued for reorganisation of subsidiaries	(859)
Balance at 31 December 2018	(23,204)

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Profit and loss reserve

	\$000
As at 1 January 2017	(9,118)
Loss for the year	(1,439)
Dividends paid to parent company	(3,440)
Balance at 31 December	(13,997)
Profit for the year	4,513
Dividends paid to parent company	(28,358)
Capital reduction (a)	20,419
Balance at 31 December 2018	(17,423)

(a) On 10 October 2018 the Company carried out a capital reduction process in order to convert its share premium and merger reserve to distributable reserves.

31. Events after the reporting date

At the end of January 2019, the Group announced a reduction of the Group's workforce by 16 positions worldwide in order to adapt to current market conditions and managements strategic direction. The Group expects the restructuring associated with the reduction in positions to cost between \$0.7M and \$0.8M in 2019. As this was not committed prior to the year end, no provision has been made for this cost in the 2018 financial statements.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 \$000	2017 \$000
Finance income	7	26	15,736
Operating expenses	8	(39)	(62)
(Loss)/profit from operations		<u>(13)</u>	<u>15,674</u>
Net financing expense	10	(425)	(2,036)
(Loss)/profit before tax		<u>(438)</u>	<u>13,638</u>
Tax expense	11	-	(180)
(Loss)/profit for the year		<u>(438)</u>	<u>13,458</u>
Total comprehensive (loss) income		<u>(438)</u>	<u>13,458</u>


The accompanying notes on page 79 to 102 are an integral part of the Company financial statements.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED
REGISTERED NUMBER: 10103719

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 \$000	2017 \$000
Assets			
Non-current assets			
Investments in subsidiaries	12	24,768	29,133
Current assets			
Trade and other receivables	13	-	375
Total assets		<u>24,768</u>	<u>29,508</u>
Liabilities			
Non-current liabilities			
Trade and other liabilities	14	21,998	-
Current liabilities			
Trade and other liabilities	14	443	20
Total liabilities		<u>22,441</u>	<u>20</u>
Net assets		<u>2,327</u>	<u>29,488</u>
Issued capital and reserves			
Share capital	18	860	1
Share premium	19	-	16,991
Merger reserve	19	-	2,651
Foreign currency translation reserve	19	343	343
Retained earnings	19	1,124	9,502
TOTAL EQUITY		<u>2,327</u>	<u>29,488</u>

The accompanying notes on pages 75 to 102 were approved and authorised for issue by the board of directors and were signed on its behalf by:


 Andrew Millen
 Director

Date: 24 April 2019

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Share capital \$000	Share premium \$000	Merger reserve \$000	Foreign currency translation reserve \$000	Retained earnings \$000	Total equity \$000
At 1 January 2017	1	16,991	2,651	343	(516)	19,470
Profit for the year	-	-	-	-	13,458	13,458
Total comprehensive income for the year	-	-	-	-	13,458	13,458
Dividends distributed to parent (note 19)	-	-	-	-	(3,440)	(3,440)
Total contributions by and distributions to owners	-	-	-	-	(3,440)	(3,440)
At 31 December 2017	1	16,991	2,651	343	9,502	29,488
At 1 January 2018	1	16,991	2,651	343	9,502	29,488
Loss for the year	-	-	-	-	(438)	(438)
Total comprehensive income for the year	-	-	-	-	(438)	(438)
Dividends distributed to parent (note 19)	-	-	-	-	(28,358)	(28,358)
Issue of ordinary shares (note 18)	859	-	-	-	-	859
Capital reduction (note 19)	-	(16,991)	(3,427)	-	20,418	-
Share Capital issued for reorganization of subsidiaries (note 19)	-	-	776	-	-	776
Total contributions by and distributions to owners	859	(16,991)	(2,651)	-	(7,940)	(26,723)
At 31 December 2018	860	-	-	343	1,124	2,327

The accompanying notes on pages 79 to 102 are an integral part of the Company financial statements.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 \$000	2017 \$000
Cash flows from operating activities			
(Loss)/profit for the year		(438)	13,458
		<u>(438)</u>	<u>13,458</u>
Adjustments for			
Finance income accrued but not received	10	-	(827)
Net financing expense incurred but not paid	10	425	1,693
		<u>(13)</u>	<u>14,324</u>
Movements in working capital:			
Decrease/(increase) in trade and other receivables		375	(1,055)
(Decrease)/increase in trade and other payables		(2)	1,529
		<u>360</u>	<u>14,798</u>
Cash generated from operations		360	14,798
Income taxes paid		-	-
		<u>360</u>	<u>14,798</u>
Net cash from operating activities		360	14,798
Cash flows from investing activities			
Cash inflow reducing investment in subsidiaries	12	6,000	-
		<u>6,000</u>	<u>-</u>
Net cash from investing activities		6,000	-
Cash flows from financing activities			
Proceeds from loan note with related party	16	21,998	-
Dividends paid to the holders of the parent	19	(28,358)	(3,440)
Receipt of shareholder loans	16	-	18,881
Payment of shareholder loans	16	-	(30,239)
		<u>(6,360)</u>	<u>(14,798)</u>
Net cash used in financing activities		(6,360)	(14,798)
Cash and cash equivalents at the end of the year		<u>-</u>	<u>-</u>

The accompanying notes on page 79 to 102 are an integral part of the Company financial statements.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

COMPANY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Reporting entity

AXIO Technical Intelligence Holdco Limited (the 'Company') is a limited company incorporated on 5 April 2016 in the United Kingdom and is registered in England and Wales. The Company is a holding company which provides financing to its subsidiaries. These subsidiaries are market-leading information businesses providing data and information products and services which professionals within the technical intelligence sector use to support their decision-making and day-to-day business activities.

2. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) as adopted by the EU ("Adopted IFRSs"). They were authorised for issue by the Company's board of directors on 24 April 2019.

Details of the Company's accounting policies, including changes during the year, are included in note 4.

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas where judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 5.

Going Concern

The Company had net assets of \$2M (2017: USD \$29M) as at 31 December 2018. The board has reviewed the liquidity position of the Company. In particular, the board has reviewed forecasts up until 31 December 2020 for EBITDA and cash flows after servicing significant financial liabilities as a consolidated group. As a result of this review, the board is of the view that the going concern assumption is appropriate and as such the financial statements have been prepared on this basis.

2.1 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

Items	Measurement basis
Trade and other receivables	Amortised cost
Trade and other liabilities	Amortised cost

2.2 Changes in accounting policies

i) New standards, interpretations and amendments effective from 1 January 2018

IFRS 15

In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The core principle of the new standard is that an entity recognizes revenue to represent the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also provides a model for the recognition and

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**COMPANY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Basis of preparation (continued)

2.2 Changes in accounting policies (continued)

i) New standards, interpretations and amendments effective from 1 January 2018 (continued)

measurement of gains or losses 2018 sale of non-financial assets. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The standard permits the use of either full or modified retrospective application.

Effective January 1, 2018, the Company adopted IFRS 15 using the cumulative effect method, with the effect of adopting this standard recognized on January 1, 2018, the date of initial application. Accordingly, the Company has concluded that there are no adjustments required to be made to the Company's financial statements as a result of the application of IFRS 15 from 1 January 2018.

IFRS 9

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory.

The Company has concluded that there are no adjustments required to be made to the financial statements as a result of the application of IFRS 9 from 1 January 2018.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 \$000	New carrying amount under IFRS 9 \$000
Financial assets				
Trade and other receivables	Loans and receivables	Financial assets at amortised cost	375	375
	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 \$000	New carrying amount under IFRS 9 \$000
Financial liabilities				
Trade and other liabilities	Financial liabilities at amortised cost	Financial liabilities at amortised cost	20	20

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**COMPANY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Basis of preparation (continued)

ii) New standards, interpretations and amendments not yet effective

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Company's future financial statements:

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company does not enter into any lease contracts and so the impact of this new standard are expected to be nil.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. The Company is in the process of evaluating the impact of IFRIC Interpretation 23 on the Company financial statements.

3. Functional and presentation currency

These financial statements are presented in US dollars, which is the Company's functional currency. All amounts have been rounded to the nearest hundred thousand, unless otherwise indicated.

4. Accounting policies

4.1 Foreign currency

In preparing the financial statements of the entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**COMPANY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

4. Accounting policies (continued)

4.2 Financial instruments

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

4.3 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at amortised cost.

(i) Impairment of financial assets

The Company measures a loss allowance based on the lifetime expected credit losses. Lifetime expected credit losses are estimated based on factors such as the Company's past experience of collecting payments, the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables, financial difficulty of the borrower, and it becoming probable that the borrower will enter bankruptcy or financial re-organization.

Financial assets are written off when there is no reasonable expectation of recovery.

(ii) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

COMPANY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

4. Accounting policies (continued)

4.4 Financial liabilities and equity instruments

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4.5 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest Company of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets the cash-generating unit ("CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in Profit and Loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

4.6 Finance income

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest income from a financial asset is recognised when it is possible that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**COMPANY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

4. Accounting policies (continued)

4.7 Taxation

Current tax for the current and prior years is recognized, to the extent unpaid, as a liability at the amount expected to be paid to the taxation authorities. The tax liabilities are measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition [other than in a business combination] of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Current tax expense and deferred tax expense are recognized in profit and loss except to the extent they arise from a transaction or event recognized in other comprehensive income or directly in equity. Any such tax expense is recognized in other comprehensive income or in equity respectively.

4.8 Offsetting financial assets and liabilities

The Company offsets financial assets and financial liabilities and present the net amount on the Company Statements of Financial Position when we have a legal right to offset them and intend to settle on a net basis or realize the asset and liability simultaneously.

4.9 Share capital

Share capital issued by the Company is recorded at the fair value of the proceeds received net of direct issue costs. Where any Company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects are included in equity attributable to the owners of the Company.

Ordinary shares of the Company are classified as equity.

4.10 Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**COMPANY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

5. Accounting estimates and judgments

5.1 Estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Impairment assessment of investments

The carrying amounts of the Company's non-financial assets are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount.

The Company estimates value in use by discounting estimated future cash flows from the CGU or asset to its present value using a pre-tax discount rate reflecting a current market assessment of the time value of money and certain risks specific to the asset. Estimated cash flows are based on management's assumptions and business plans which are supported by internal strategies, plans and external information. The estimate of the recoverable amount for an asset or CGU requires significant estimates such as future cash flows and growth, terminal growth and discount rates.

Taxes

The ultimate realization of deferred tax assets is dependent upon future taxable income during the years in which these assets are deductible. A deferred tax asset is recognized to the extent that it is probable that the assets can be recovered based upon the probable timing and level of future taxable income together with future tax planning strategies. The Company regularly assesses all negative and positive evidence to evaluate the recoverability of its deferred tax assets including an evaluation of the nature and the amount of significant tax assets and their carry-forward period, the Company's recent earnings history, forecasts of future earnings and the Company's ability to reasonably forecast sufficient future earnings.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**COMPANY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

6. Company Information

Details of the Company's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Company (%)	
			2018	2017
1) TechInsights Inc.	Data and information products - technology & intellectual property	Canada	100	100
2) TechInsights Europe Sp zoo	Technical reverse engineering services	Poland	100	100
3) TechInsights Japan KK	Provides sales and marketing services	Japan	100	100
4) TechInsights Taiwan Limited	Provides sales and marketing services	Taiwan	100	100
5) TechInsights Korea Co. Limited	Provides sales and marketing services	Korea	100	100
6) TechInsights Europe Limited	Provides sales and marketing services	United Kingdom	100	100
7) TechInsights USA Inc.	Provides sales and marketing services	USA	100	100
8) Chipworks Limited	Inactive	Barbados	100	100
9) Sanguine Microelectronics Corporation Limited	Inactive	British Virgin Islands	100	100
10) Sanguine Microelectronics (Shanghai) Co Limited	Inactive	China	100	100

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**COMPANY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

6. Company Information (continued)

1) TechInsights Inc.

Directly held by AXIO Technical Intelligence Holdco Limited. On January 1, 2018, two inactive entities TechInsights Canada Inc. (including the Taiwan and Korean Branches) and TLS Microelectronics Inc. amalgamated with TechInsights Inc.

5) TechInsights Korea Co. Limited

In 2018 the subsidiary changed its legal name from Chipworks Korea Co. Limited to TechInsights Korea Co. Limited.

6) TechInsights Europe Limited

In 2018 the subsidiary changed its legal name from Chipworks Europe Limited to TechInsights Europe Limited.

7) TechInsights USA Inc.

On August 31, 2018, management completed the dissolution of Chipworks USA Holdings Inc. and any activity will be continued under TechInsights USA Inc.

Information about holding companies

Name	Relationship	Country
Oakley Capital Private Equity III (Fund III)	Ultimate controlling party	Bermuda
Maple Investco Limited	Parent	Bermuda
Maple Bidco Limited	Top company in the TechInsights Company	United Kingdom
AXIO TI Holdings Limited	Holding Company of TechInsights (Holdco Ltd)	United Kingdom
TechInsights (Holdco) Limited	Holding Company of AXIO Technical Intelligence Holdco Ltd	United Kingdom

Ultimate controlling company

The ultimate controlling party is Oakley Capital Private Equity III (Fund III).

Maple Investco Limited

Parent company to Maple Bidco Limited. It is a holding company registered in the Bermuda on 4 May 2017 and its registered address is Mintflower Place, 3rd Floor 8 Par La Ville Road. Hamilton. Bermuda. HM 08.

Maple Bidco Limited

Maple Bidco Limited is the top company in the TechInsights Group. It is a holding company registered in the United Kingdom on 4 May 2017 and its registered address is 3 Cadogan Gate, London, Sw1X 0AS. It produces consolidated financial statements, which are available at the above address, and represents the highest level at which the Company's financial information is consolidated.

AXIO TI Holdings Limited

AXIO TI Holdings Limited, a holding company registered in the United Kingdom on 10 December 2015 and its registered address is 68 Lombard Street, London, EC3V 9LJ.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**COMPANY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

6. Company Information (continued)

TechInsights (Holdco) Limited

TechInsights (Holdco) Limited, a holding company registered in the United Kingdom on 18 February 2013. It has a registered address of 68 Lombard Street, London, EC3V 9LJ.

7. Finance income

The following is an analysis of the Company's income for the year:

	2018	2017
	\$000	\$000
Dividend income from company under common control (note 16)	-	14,910
Interest income from company under common control (note 16)	26	826
	<u>26</u>	<u>15,736</u>

8. Auditors's remuneration and exceptional items

	2018	2017
	\$000	\$000
Other operating expenses	(39)	(62)
Total expenses	<u>(39)</u>	<u>(62)</u>

Restructuring costs and acquisition costs (if any) are disclosed separately as exceptional items to better reflect the underlying performance of the Company.

	2018	2017
	\$000	\$000
<i>Auditor's remuneration</i>		
Audit of these financial statements	(10)	(14)
Amounts receivable by the Group's auditor and its associates in respect of:		
- Tax compliance services	(12)	(13)
- Exceptional acquisition costs	-	-
- Other services	-	-
Total remuneration paid to Auditor and its affiliates	<u>(22)</u>	<u>(27)</u>

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**COMPANY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

9. Directors' emoluments

None of the directors were paid by the Company during the period (2017: \$nil).

10. Net financing expense

Recognised in profit or loss

	2018	2017
	\$000	\$000
Finance expense		
Net foreign exchange loss	-	(736)
Loan note interest from group undertakings (note 16)	(425)	(1,300)
Net financing expense recognised in profit or loss	(425)	(2,036)

11. Tax expense

11.1 Income tax recognised in profit or loss

	2018	2017
	\$000	\$000
Current tax		
Withholding tax	-	(180)
Total current tax	-	(180)
Tax tax expense	-	(180)

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**COMPANY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

11. Tax expense (continued)

11.1 Income tax recognised in profit or loss (continued)

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2018	2017
	\$000	\$000
(Loss)/profit for the year	(438)	13,458
Income tax expense	-	180
	<hr/>	<hr/>
(Loss)/profit before income taxes	(438)	13,638
Tax using the Company's domestic tax rate of 19% (2017:19%)	(83)	2,591
Expenses not deductible for tax purposes, other than goodwill, amortisation and impairment	81	-
Non-taxable income	-	(2,731)
Other taxes	-	180
Losses surrendered to other companies within tax grouping for nil consideration	2	140
	<hr/>	<hr/>
Total tax expense	-	180
	<hr/> <hr/>	<hr/> <hr/>

Changes in tax rates and factors affecting the future tax charges

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) were substantively enacted on 6 September 2016.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**COMPANY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

12. Investment in subsidiaries

	2018	<i>2017</i>
	\$000	\$000
Cost		
At 1 January	29,133	29,133
Additions	1,635	
Deductions	(6,000)	-
As at 31 December	24,768	29,133
Carrying amount		
At 1 January	29,133	29,133
As at 31 December	24,768	29,133

During the year, the wholly owned subsidiary TechInsights Inc. issued additional shares USD \$1.6M (2017: \$nil) to the Company to acquire 100% ownership of the following subsidiaries: TechInsights Europe Sp zoo, TechInsights USA Inc. and TechInsights Japan KK. TechInsights Inc. also returned share capital USD \$6M (2017: \$nil) in exchange for a reduction in carrying value of the Company's investment in TechInsights Inc.

The investments were not deemed impaired as of 31 December 2018 (31 December 2017 - \$nil).

The investment in subsidiaries relate to the following:

Name	Principal Activities	Country of Incorporation	% Equity Interest	2018
				Share Class
TechInsights Inc.	Data and information products - technology & intellectual property	Canada	100%	Ordinary
Sanguine Microelectronics Corporation Limited	Inactive	British Virgin Islands	100%	Ordinary

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**COMPANY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Name	Principal Activities	Country of Incorporation	% Equity Interest	2017 Share Class
TechInsights Inc.	Data and information products - technology & intellectual property	Canada	100%	Ordinary
TechInsights USA Inc.	Provides sales and marketing services	USA	100%	Ordinary
TechInsights Japan KK	Provides sales and marketing services	Japan	100%	Ordinary
TechInsights Europe Sp zoo	Technical reverse engineering services	Poland	100%	Ordinary
Chipworks Inc.*	Inactive	Canada	100%	Ordinary
Sanguine Microelectronics Corporation Limited	Inactive	British Virgin Islands	100%	Ordinary
*Amalgamated with TechInsights Japan KK in 2017				

Impairment testing

The Company tests each investment in subsidiary for impairment on an annual basis or more frequently if there are indicators of impairment.

As at 31 December 2018, the underlying cash flows expected to be received from each of the subsidiaries are in excess of the carrying amount of the investment, and therefore no impairment is required (2017: \$nil).

13. Trade and other receivables

	2018 \$000	2017 \$000
Receivables from related parties (note 16)	-	375
Total financial assets	-	375
Less: current portion - receivables from related parties	-	(375)
Total current portion	-	(375)
Total non-current portion	-	-

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**COMPANY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

14. Trade and other payables

	2018 \$000	2017 \$000
Trade payables	-	20
Payables to related parties (note 16)	22,441	-
Total financial liabilities	22,441	20
Less: current portion - trade payables	-	(20)
Less: current portion - payables to related parties	(443)	-
Total current portion	(443)	(20)
Total non-current position	21,998	-

15. Financial instruments - fair values and risk management

15.1 Accounting classifications and fair values

Trade and other receivables and trade and other liabilities are measured at amortized cost. Their carrying amount is a reasonable approximation of fair value.

15.2 Financial risk management objectives

Company Management is responsible for the risk management of the treasury activity. Treasury activity is principally concerned with the monitoring of operating liquidity, managing funding requirements related to the resolution of legacy issues and the monitoring and management of the rolling cash flow. The Company and its subsidiaries are governed by financial policies and procedures implemented for the whole of the Company. Information concerning the Company's exposure to foreign currency risk, credit risk, and liquidity risk is set out below.

The Company does not enter into such instruments for speculative purposes and only enters into forward contracts (if any) to manage its foreign exchange risk.

15.3 Foreign currency risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's financing activities (when finance revenue or expenses are denominated in a different currency to the Company's presentation currency) and to the translation of the Company's monetary assets and liabilities at balance sheet date (when monetary assets or liabilities are denominated in a different currency from the Company's presentation currency). As the majority of the Company's transactions are denominated and settled in US dollars there isn't a significant foreign currency risk.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

COMPANY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

15. Financial instruments - fair values and risk management (continued)

15.4 Credit risk management

Trade and other receivables

Concentration of credit risk with respect to trade and other receivables is limited due to the balance being predominantly comprised of balances with related parties. These balances are managed in accordance with the Company's established policy, procedures and controls relating to related party balances. All balances are monitored and regularly reviewed for recoverability; with impairment recorded where recovery is not probable. The maximum credit risk relating to these balances is equal to their carrying amounts as set out above.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. Expected credit losses at 31 December 2018 is USD \$nil (2017: \$nil).

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

COMPANY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

15. Financial instruments - fair values and risk management (continued)

15.5 Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Company Management evaluates the Company's actual and expected cash flows on a monthly basis to ensure that the Company continues as a going concern. The loan maturity profile, based on contractual undiscounted cash flows, of the Company is disclosed below.

Liquidity risk tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Company may be required to pay.

	Carrying amount \$000	Total \$000	1 - 3 months \$000	3 - 12 months \$000	1 - 2 years \$000	2 - 5 years \$000	More than 5 years \$000
31 December 2018							
Trade payables and other liabilities (including principal and interest)	22,441	36,364	18	2,413	1,993	31,940	-
	<u>22,441</u>	<u>36,364</u>	<u>18</u>	<u>2,413</u>	<u>1,993</u>	<u>31,940</u>	<u>-</u>

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

COMPANY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

15. Financial instruments - fair values and risk management (continued)

15.5 Liquidity risk management (continued)

	Carrying amount \$000	Total \$000	1 - 3 months \$000	3 - 12 months \$000	1 - 2 years \$000	2 - 5 years \$000	More than 5 years \$000
31 December 2017							
Trade payables and other liabilities	20	20	20	-	-	-	-
	<u>20</u>	<u>20</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

COMPANY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

15. Financial instruments - fair values and risk management (continued)

15.6 Fair value measurements

The fair value of trade and other receivables and trade and other payables approximates their carrying amount due to the relatively short-term maturities of these instruments.

16. Related party transactions

Balances and transactions between the Company and its related parties are disclosed below.

16.1 Loans to related parties

	<i>2018</i>						
	<i>\$000</i>						
	Principal at 1 Jan	Loans given (received)	Interest receivable (payable)	Interest (receipts) repayment	Principal repayment (receipts)	Interest at 31 Dec	Principal at 31 Dec
TechInsights USA, Inc. (b)	375	-	26	(26)	(375)	-	-
Total receivables	375	-	26	(26)	(375)	-	-

	<i>2017</i>							
	<i>\$000</i>							
	Principal at 1 Jan	Loans given (received)	Interest receivable (payable)	Interest (receipts) repayment	Principal repayment (receipts)	FX gain (loss)	Interest at 31 Dec	Principal at 31 Dec
TechInsights Inc. (b)	17,024	-	802	(802)	(17,024)	1,241	-	-
TechInsights USA, Inc. (b)	350	-	25	-	-	-	-	375
Total receivables	17,374	-	827	(802)	(17,024)	1,241	-	375

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

COMPANY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

16. Related party transactions (continued)

16.2 Loans from related parties

	2018									
	\$000									
	Principal at 1 Jan	Loans given (received)	Interest receivable (payable)	Interest (receipts) repayment	Principal repayment (receipts)	Interest at 31 Dec	Principal at 31 Dec			
TechInsights Inc. (a)	-	(21,998)	(425)	-	-	(425)	(21,998)			
Total payables	-	(21,998)	(425)	-	-	(425)	(21,998)			
								2017		
								\$000		
	Principal at 1 Jan	Loans given (received)	Interest receivable (payable)	Interest (receipts) repayment	Principal repayment (receipts)	FX gain (loss)	Interest at 31 Dec	Principal at 31 Dec		
AXIO TI Holdings Limited (b)	(22,268)	-	(1,071)	1,071	22,268	(1,617)	-	-		
Minority shareholders of company (b)	(4,710)	-	(231)	231	4,710	(350)	-	-		
Total payables	(26,978)	-	(1,302)	1,302	26,978	(1,967)	-	-		

(a) On 10 October 2018 the Company issued USD \$21,997,954 Unsecured Loan Notes 2025 ("Initial Issue") to TechInsights Inc. These loans are repayable on 31 December 2025. Interest is charged at the LIBOR reference rate for each "Interest Period", plus 6.1%. The "Interest Period" means the period from and including the date of this Instrument up to and including 12 January 2019 and thereafter the period from and including 13 January 2019 up to and including 31 December 2019 and thereafter the date falling 12 months after 31 December 2019 and each period of 12 months thereafter.

The Initial Issue forms part of a programme of loan notes to be issued by the Company up to a potential total principal amount (including the Initial Issue) of USD \$31,997,954. These Loan Notes are listed on the BSX.

(b) The loans are intended to incentivise return of cash to the holding companies. These loans are unsecured and repayable on demand. Interest is charged at 7.00% - 7.25% and capitalizes into the loan balance occurs bi-annually. In December 2018, TechInsights USA, Inc. paid in full.

16.3 Transactions with key management personnel

Key management personnel are comprised of people who served as directors of the Company during the period. There were no transactions or emoluments to the directors of the Company (2017: \$nil).

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

COMPANY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

16. Related party transactions (continued)

16.4 Other related party transactions

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at 31 December 2018 are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. No impairment charge was recognized relating to amounts owed by related parties. This assessment is undertaken each financial period through examining the financial position of the related party and the market in which the related party operates.

Other related party transactions are as follows:

Related party relationship	Type of transaction	Transaction amount		Balance owed	
		2018 \$000	2017 \$000	2018 \$000	2017 \$000
TechInsights Inc.	Dividends	-	14,910	-	-
Minority Shareholders of Company	Management fees	-	(37)	-	-
Maple Bidco Limited	Recharged costs	(58)	-	(18)	-
		<u>(58)</u>	<u>14,873</u>	<u>(18)</u>	<u>-</u>

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

COMPANY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

17. Capital management

For the purposes of the Company's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders.

In order to achieve these overall objectives, the Company's capital management, amongst other things, aims to ensure that it meets covenants and obligations attached to the interest-bearing loans and borrowings that define capital structure requirements. The Company has honoured its obligations related to its interest bearing loans and borrowings in the current year.

Management assess the Company's capital requirements in order to maintain an efficient overall financing structure. The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, trade and other payables, less cash.

	2018	2017
	\$000	\$000
Trade and other payables (note 14)	22,441	20
Less: cash	-	-
Net debt	22,441	20
Share capital (note 18)	860	1
Share premium (note 19)	-	16,991
Merger reserve (note 19)	-	2,651
Foreign currency translation reserve (note 19)	343	343
Retained deficit (note 19)	1,124	9,502
Capital	2,327	29,488
Capital and net debt	24,768	29,508
Gearing ratio	91%	0%

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**COMPANY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

18. Share capital

Authorised

	2018 Number	2018 \$000	2017 Number	2017 \$000
Shares treated as equity				
Ordinary shares of £0.00001 each	100,000,000	1	100,000,000	1
A Ordinary shares of \$1.00000 each	858,758	859	-	-
	<u>100,858,758</u>	<u>860</u>	<u>100,000,000</u>	<u>1</u>

Issued and fully paid

	2018 Number	2018 \$000	2017 Number	2017 \$000
Ordinary shares of £0.00001 each				
At 1 January and 31 December	<u>100,000,000</u>	<u>1</u>	<u>100,000,000</u>	<u>1</u>

	2018 Number	2018 \$000	2017 Number	2017 \$000
A Ordinary shares of \$1.00000 each				
Shares issued	858,758	859	-	-
At 31 December	<u>858,758</u>	<u>859</u>	<u>-</u>	<u>-</u>

A Ordinary shares were issued to acquire subsidiary from TechInsights (Holdco) Limited.

AXIO TECHNICAL INTELLIGENCE HOLDCO LIMITED

**COMPANY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

19. Reserves

Share premium

	\$000
As at 1 January 2017 and 31 December 2017	16,991
Capital reduction (a)	(16,991)
Balance at 31 December 2018	-

Foreign currency translation reserve

The foreign currency translation reserve reflects the impacts of the Company changing its functional and presentation currency from the prior year following a change in the ultimate owner of the Company and the repayment of outstanding intra-group balances on 24 May 2017.

Merger Reserve

The merger reserve is used to record gains and losses arising from the Company restructuring done by the Company.

	\$000
As at 1 January 2017 and 31 December 2017	2,651
Capital reduction (a)	(3,427)
Share capital issued for reorganization of subsidiaries	776
Balance at 31 December 2018	-

Retained earnings

	\$000
As at 1 January 2017	(516)
Profit for the year	13,458
Dividends paid to parent company	(3,440)
Balance at 31 December	9,502
Loss for the year	(438)
Dividends paid to parent company	(28,358)
Capital reduction (a)	20,418
Balance at 31 December 2018	1,124

(a) On 10 October 2018 the Company carried out a capital reduction process in order to convert its share premium and merger reserve to distributable reserves.