Registration number: 04887821

NeuLion, Limited

Audited Financial Statements for filing

for the Year Ended 31 December 2016

Kreston Reeves LLP
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NeuLion, Limited

(Registration number: 04887821)
Balance Sheet as at 31 December 2016

	Note	2016 $	2015 $
Fixed assets			
Intangible assets	5	7,987,297	-
Tangible assets	6	925,471	109,206
		8,912,768	109,206
Current assets			
Debtors	8	1,657,450	1,625,140
Cash at bank and in hand		488,055	77,717
		2,145,505	1,702,857
Creditors: Amounts falling due within one year	9	(21,771,219)	(7,488,609)
Net current liabilities		(19,625,714)	(5,785,752)
Net liabilities		(10,712,946)	(5,676,546)
Capital and reserves			
Called up share capital		440	440
Share premium reserve		1,399,267	1,399,267
Other reserves (see Statement of Changes in Equity)		770,233	678,508
Profit and loss account		(12,882,886)	(7,754,761)
Total equity		(10,712,946)	(5,676,546)

These financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

In accordance with Section 444 of the Companies Act 2006, the company has elected not to file the profit and loss account and directors' report.

Approved and authorised by the Board on 20/12/17 and signed on its behalf by:

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R E Rosenbach

Director

.....

T Aravathil

Director

NeuLion, Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

1 General information

The company is a private company limited by share capital incorporated in England and Wales.

The address of its registered office and principal place of business is:
4th Floor
C Space House
37-45 City Road
London
EC1Y 1AT

The financial statements are presented in US Dollars ($) which is the functional currency of the company and are rounded to the nearest $.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance
These financial statements have been prepared in accordance with Financial Reporting Standard 102 Section 1A - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation
These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Going concern

The company's ability to continue to trade is dependent upon the support of NeuLion Inc., its parent company. There is no indication that this support will be withdrawn and the directors expect that current and future sources of funding or support will be more than adequate for the company's needs. Although no formal commitment has been made by NeuLion Inc, commitment to UK operations has been given by significant investment in the company and substantial guarantees in relation to financial commitments. The latest available accounts for the group, as at 31 December 2016, stated the following:

'Our cash position was $41.9 million at December 31, 2016. During the year ended December 31, 2016, we generated $12.5 million from operating activities, which included cash of $3.1 million from changes in operating assets and liabilities. Cash used in financing activities included $4.9 million, primarily for the repurchases of our common stock. Cash used in investing activities included $9.0 million for the acquisition of Saffron Digital and $10.2 million used to purchase fixed assets, of which $7.3 million was used to purchase an office building to serve as our future headquarters in New York. As of December 31, 2016, our principal sources of liquidity included cash and cash equivalents of $41.9 million and trade accounts receivable of $14.1 million, offset by $11.8 million in accounts payable and $12.6 million in accrued liabilities. We continue to closely monitor our cash balances to ensure that we have sufficient cash on hand to meet our operating needs. Management believes that we have sufficient liquidity to meet our working capital and capital expenditure requirements for at least the next 12 months.'

During the year to December 2016 the group's cash and cash equivalents reduced by $11.5 million to $41.9 million but in the 9 month period to September 2017 (as reported in the Q3 press release) cash and cash equivalents increased to $53.9 million, this was generated by a reduction in development and investment expenditure with a focus on funding the working capital requirements of the group and to grow revenue. Although the $53.9 million is sufficient to support the group for at least the next 12 months based (on current plans and forecasts) the Parent's financial statements also state; "Our actual funding requirements could vary materially from our current estimates. If additional financing is needed, we may not be able to raise sufficient funds on favourable terms or at all. If we issue common stock, or securities convertible into common stock, in the future, such issuance will result in the then-existing stockholders sustaining dilution to their relative proportion of our outstanding equity.'

The financial statements have been prepared on a going concern basis. If this assumption proves to be inappropriate, adjustments may have to be made to adjust the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify fixed assets and current assets.

Judgements
The value of the intangible assets was calculated using future income flows discounted to their present value by an independent professional. Management have judged the assets useful life to be 5 years which is reflective of the projected future income generated by these assets.

Key sources of estimation uncertainty
Goodwill has been calculated using the fair value of intangibles. The fair value of these intangibles was generated from estimated income flows. The useful life of the goodwill has been estimated at 5 years. The carrying amount is $1,531,015 (2015 -$Nil).

The accounting for the equity settled share based compensation plan requires estimation about the number of options that are expected to become exercisable. At each balance sheet date the Group revises its estimates of the number of options that are expected to become exercisable. The company recognises the impact of the revision of the original estimates, if any, in the income statement and a corresponding adjustment to equity over the remaining vesting period. The carrying amount is $Nil (2015 -$Nil).

Revenue recognition
Turnover comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the company's activities. Turnover is shown net of value added tax, returns, rebates and discounts.

The company recognises revenue when:
The amount of revenue can be reliably measured;
it is probable that future economic benefits will flow to the entity;
and specific criteria have been met for each of the company's activities.

Foreign currency transactions and balances
Transactions in foreign currencies are recorded at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. All exchange differences are included in the profit and loss account.

Tangible assets
Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation
Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Short term leasehold property	Over the term of the lease
Office equipment and computer equipment	Straight line over 5 years
Infrastructure and website equipment and development	Straight line over 3/5 years

Goodwill
Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date. Goodwill is amortised over its useful life, which is estimated as 5 years.

Intangible assets
Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Amortisation
Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Goodwill	Over 5 years on a straight line basis
Intangible assets other than goodwill	Over 5 years on a straight line basis

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and deposits held at call with banks.

Trade debtors
Trade debtors are amounts due from customers for services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Trade creditors
Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Leases
Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation
A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Share based payments

Equity-settled transactions - Stock Option and Stock-Based Compensation Plans

Employees of the company can benefit from two equity-settled, share-based compensation plans, one being a Stock Option plan and the other a Restricted Stock Unit (RSU) Award. Both plans are based on equity in the ultimate parent undertaking NeuLion, Inc.

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments granted at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined with reference to the financial statements of NeuLion, Inc. the ultimate parent company. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions) and non vesting conditions. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non vesting condition, which are treated as vesting irrespective of whether or not the market or non vesting condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

The financial effect of awards by the parent company of options over its equity shares to the employees of subsidiary undertakings are recognised by the parent company in its individual financial statements. In particular the parent company records an increase in its investment in subsidiaries with a credit to equity equivalent to the cost in the subsidiary undertakings.

In the prior period the company had chosen to apply the exemption available to small companies in paragraph 35.10 (b) of FRS 102.

3 Staff numbers

The average number of persons employed by the company (including directors) during the year, was 47 (2015 - 4).

4 Auditor's opinion

The Independent Auditor's Report was unqualified. The name of the Senior Statutory Auditor who signed the audit report was Ian Burrows who signed for and on behalf of Kreston Reeves LLP, Statutory Auditor.

5 Intangible assets

	Goodwill $	Other intangible assets $	Total $
Cost or valuation			
Additions acquired separately	1,733,224	7,309,000	9,042,224
At 31 December 2016	1,733,224	7,309,000	9,042,224
Amortisation			
Amortisation charge	202,209	852,718	1,054,927
At 31 December 2016	202,209	852,718	1,054,927
Carrying amount			
At 31 December 2016	1,531,015	6,456,282	7,987,297

The aggregate amount of research and development expenditure recognised as an expense during the period is $Nil (2015 - $Nil).

Individually material intangible assets

Customer relationships

The carrying amount of this asset is $2,905,327 (2015 -$Nil) the remaining amortisation period is 5 (2015 -).

Technology

The carrying amount of this asset is $3,550,955 (2015 -$Nil) the remaining amortisation period is 5 (2015 -).

6 Tangible assets

	Short leasehold costs $	Infrastructure and website equipment and development $	Office and computer equipment $	Total $
Cost or valuation				
At 1 January 2016	98,647	106,421	88,430	293,498
Additions	640,580	40,511	192,289	873,380
At 31 December 2016	739,227	146,932	280,719	1,166,878
Depreciation				
At 1 January 2016	3,289	106,421	74,582	184,292
Charge for the year	44,342	12,773	-	57,115
At 31 December 2016	47,631	119,194	74,582	241,407
Carrying amount				
At 31 December 2016	691,596	27,738	206,137	925,471
At 31 December 2015	95,358	-	13,848	109,206

Included within the net book value of land and buildings above is $691,596 (2015 - $95,358) in respect of short leasehold land and buildings.

7 Business combinations

On 3 June 2016, the Company completed the acquisition of the trade of Saffron Digital Limited (a leading technology product and service provider specialising in the broadcasting and distribution of live and on-demand digital video content), in an all-cash asset transaction. Total consideration of $9,000,000 was paid, of which $7,500,000 was paid on 3 June 2016 and $1,500,000 was paid in September 2016.

In connection with the transaction, the Company incurred costs of $109,000 which are to be written off to the Profit & Loss in line with amortisation of the intangible assets and goodwill in relation to the acquisition.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Book value 2016 $	Fair value 2016 $
Assets and liabilities acquired		
Financial assets	52,682	52,682
Tangible assets	14,094	14,094
Identifiable intangible assets	7,200,000	7,200,000
Total identifiable assets	7,266,776	7,266,776
Goodwill	1,733,224	1,733,224
Total consideration	9,000,000	9,000,000
Satisfied by:		
Cash	9,000,000	9,000,000
Cash flow analysis:		
Cash consideration	9,000,000	9,000,000

The useful life of goodwill and identifiable intangibles is 5 years .

8 Debtors

	Note	2016 $	2015 $
Trade debtors		1,325,226	137
Amounts owed by group undertakings and undertakings in which the company has a participating interest	12	-	1,447,696
Other debtors		332,224	177,307
Total current trade and other debtors		1,657,450	1,625,140

9 Creditors

	Note	2016 $	2015 $
Due within one year			
Trade creditors		85,608	30,604
Amounts owed to group undertakings and undertakings in which the company has a participating interest	12	20,616,933	7,325,084
Other creditors		1,068,678	132,921
		21,771,219	7,488,609

10 Share capital

Allotted, called up and fully paid shares

	2016		2015	
	No.	$	No.	$
Ordinary shares of of £0.01 each	17,204	344	17,204	344
Ordinary A shares of of £0.01 each	4,748	96	4,748	96
	21,952	440	21,952	440

11 Share based payments

In the prior period the company had chosen to apply the exemption available to small companies in paragraph 35.10 (b) of FRS 102.

Stock Options
Stock options under the "Amended and Restated NeuLion, Inc 2012 Omnibus Securities and Incentive Plan (the "New Plan")" have been awarded to some employees of NeuLion, Limited.
The exercise price for any new security granted under the New Plan is determined by the closing price of the NeuLion, Inc's common stock on the trading day prior to the grant date. Securities are exercisable during a period established at the time of their grant. Stock options give the holder the right to purchase one share of stock at the agreed exercise price, assuming all vesting conditions are met.

The fair value of the employee services received, in exchange for the grant of the options is recognised as an expense in the accounts of NeuLion, Limited and allocated over the vesting period. The fair value is calculated with reference to NeuLion, Inc's calculations which are based on a weighted average of the fair value of options granted in the financial year. The fair value of the shares granted under option are valued using a Black-Scholes-Merton option pricing model, in line with the valuation method used by NeuLion, Inc.

The movements in the number of share options during the year were as follows:

	2016 Number
Granted during the period	449,000
Forfeited during the period	(100,000)
Outstanding, end of period	349,000

The movements in the weighted average exercise price of share options during the year were as follows:

	2016 $
Granted during the period	1.00
Forfeited during the period	(1.00)
Outstanding, end of period	1.00

The total expense recognised in profit or loss for the year was £39,536 (2015 - $Nil)

Restricted Stock Unit (RSU)
Restricted Stock Unit (RSU) awards have been granted to some employees of NeuLion, Limited under the "Amended and Restated NeuLion, Inc 2012 Omnibus Securities and Incentive Plan (the "New Plan")"
The exercise price for any new security granted under the Plan is determined by the closing price of the NeuLion, Inc common stock on the trading day prior to the grant date.

Shares of NeuLion, Inc common stock issuable upon the future vesting of RSU awards are referred to as 'Underlying shares'.

On 24th August 2015, a number of employees of NeuLion, Limited were granted a total of 60,000 RSU awards which were subject to vesting over several months. 10,000 Underlying shares were forfeited prior to the vesting date of the RSU awards. The remaining 50,000 RSU awards vested and the Underlying shares were issued on 19th January 2016. The total grant date fair value of the Underlying shares, net of forfeitures of $25,850, was recognised in the year to 31 December 2016.

On 8th August 2016, a number of employees of NeuLion, Limited were granted a total of 490,000 RSU awards which were subject to vesting over 4 years. During the financial year, 150,000 Underlying shares were forfeited prior to the vesting date of the RSU Awards. The total grant date fair value of the Underlying shares, net of forfeitures of $265,200, will be recognised evenly over the remaining vesting period.

The total expense recognised in profit or loss for the year was $52,189 (2015 - $Nil).

12 Related party transactions

Summary of transactions with parent

NeuLion, Inc.

The company has taken advantage of the disclosure exemption included in FRS 102 paragraph 33.1A. Transactions with 100% owned group companies that are not material to the understanding of the accounts have not been disclosed.

NeuLion, Inc. has provided guarantees on behalf of the company in respect of it's ongoing financial commitments.

13 Parent and ultimate parent undertaking

The company's immediate parent is NeuLion Inc, incorporated in USA.

These financial statements are available upon request from 1600 Old Country Road, Plainview, NY, USA, 11803