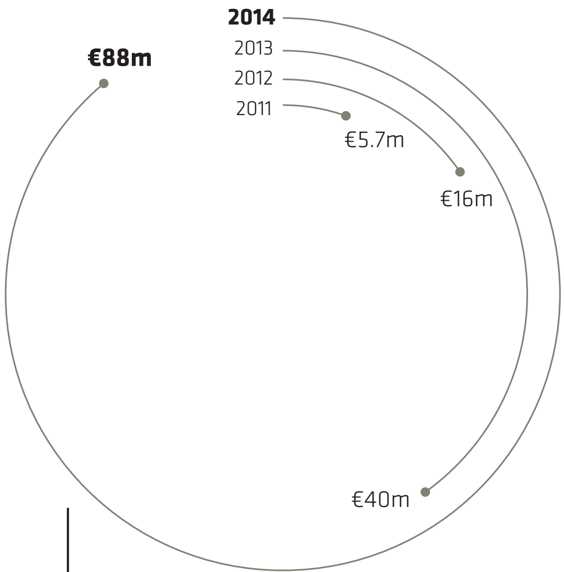
NDRC DIRECTORS' REPORT & FINANCIAL STATEMENTS

2014 2015

NDRC:
BUILDING A LEGACY

OUR YEAR IN NUMBERS



€88m

the cumulative amount of follow on investment that NDRC portfolio companies have raised in total.

€220m

The approximate market capital value of companies in NDRC's portfolio.

58%

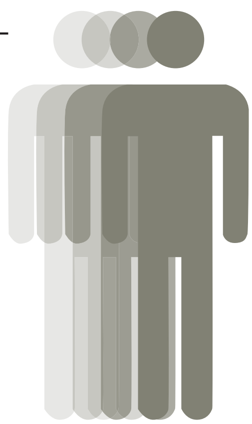
Percentage of the entire portfolio that are surviving and growing.

500

the total number of jobs in NDRC portfolio companies

200

increase from 2013 figures.



51%

Percentage of portfolio companies that have received commercial follow on investment.

FINANCIAL STATEMENTS

CONTENTS

DIRECTORS AND OTHER INFORMATION

Board of Directors
S Baker (Chairman – Interim)
J Coman (resigned 02/04/2014)
B Cremen (alternate, appointed 05/02/2015)
C Dillon
A Doona (resigned 30/04/2015)
O Feely
E Hazelkorn
B Hurley
E Kennedy
G Lacey (appointed 01/04/2015)
A McClean
D McGonagle
G Mooney
M O'Donovan
P Robertson
P Sharpe
D Sullivan (appointed 02/04/2014, resigned 01/04/2015)

Solicitors
Mason, Hayes & Curran
South Bank House
Barrow Street
Dublin 4

Venture Legal Services
78 Sir John Rogerson's Quay
Dublin 2

Secretary & Registered Office
D Dowley
Digital Exchange Building
Crane Street
The Digital Hub
Dublin 8

Bankers
Bank of Ireland
85 James Street
Dublin 8
D08 C2PR

Auditors
PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
One Spencer Dock
North Wall Quay
Dublin 1

Registered Number: 398458

DIRECTORS' REPORT

THE DIRECTORS PRESENT HEREWITH THEIR REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014.

PRINCIPAL ACTIVITIES AND REVIEW OF THE DEVELOPMENT OF THE BUSINESS
NDRC is an early stage investor focussed on pre-seed investment in digital innovation. We identify disruptive potential, form teams, and transform tech opportunities from sound concept to seed investable ventures. We originate investments from the entrepreneurial community and leverage the Irish state investment in ICT research by being particularly connected with the research sector.

Pre-seed investment is the earliest phase of commercial investment in venture capital/private equity. The risk assumed is considerable, and indeed prohibitive to regular venture capital. To mitigate the risk, NDRC operates a hybrid fund and a partnership model. Our hybrid fund approach targets a blend of financial and impact returns. Our partnership model entails a fully-integrated financial and human capital investment in our investees, which we expect our investees to apply in a dedicated, expert, and entrepreneurial manner. Together, we provide the next stage venture investor community of business angels, seed investors, and venture capital investors with a pipeline of risk-reduced venture investment opportunities, each being a business with a validated offering targeted at a sizable market.

The key business performance indicator for the company, is third party follow-on investment (FoI) that is secured by ventures emerging or developing from the company's portfolio. Cumulative follow-on investment more than doubled year-on-year, from €40m by 2013 to €88m by 2014. The cumulative enterprise value of ventures emerging from NDRC nearly doubled year on year from €120m by 2013 to €220m by end 2014. These growth outcomes (cf. results for the year below) are a consequence of a continued flow of investments and ventures through NDRC, and increasing maturity of NDRC ventures that have proven their viability since emerging in previous years. As a milestone in the development of the company, the company is reporting its first realisation of financial returns from its investments on its Income and Expenditure account. During the year the company exited its interests in a number of entities, for which the investment cost was expensed to the Income & Expenditure account over a number of previous financial years. The gross proceeds from these events of €175k is accounted for as 'Proceeds on sale of interest' (cf. note 3). While the company's current hybrid funds can only ever deliver a fractional financial return, this financial performance boosted our investment funds and brings the company into the realm of profitable returns. This new milestone achievement underlines the company's positioning and performance as an early stage investor, substantiating its investment reputation, and validating its business model.

RESULTS FOR THE YEAR AND STATE OF AFFAIRS AT 31 DECEMBER 2014
The income and expenditure account for the year ended 31 December 2014 and the balance sheet at that date are set out on pages 9 and 10. The surplus for the year amounted to €nil (2013: surplus of €1,505). The company is exempt from taxation.

Results in the form of third party follow-on investments in the outputs of the company's collaborations are exceptionally strong for the year. Building on very strong results in the previous year, the company reports €88m (2013: €40m) of follow-on investment secured by new enterprises emerging or developing from the company's investment programmes. The amount of equity released in these new enterprises to secure the follow-on investment indicates a year-end cumulative enterprise value of these enterprises of €220m (2013: €120m.).

DIRECTORS
The current directors are as listed on page 2 and unless otherwise indicated have served throughout the period.

DIRECTORS' AND SECRETARY'S INTEREST IN SHARES
The company is limited by guarantee, does not have a share capital and in the event of a winding up, the members have agreed to pay €5 each to the debts of the company.

FUTURE DEVELOPMENT IN THE BUSINESS
The company will continue to operate to its main objective in 2015.

HEALTH AND SAFETY OF EMPLOYEES
The Safety, Health and Welfare at Work Act, 2005 imposes certain obligations on employers and the directors are satisfied that the company has taken the necessary action to ensure compliance with the Act.

CHARITABLE AND POLITICAL DONATIONS
The company made no political or charitable contributions during the year.

ENVIRONMENTAL ISSUES
The company pays particular adherence to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues.

Principal risks and uncertainties
The directors consider that the following is the principal risk factor that could materially and adversely affect the company's operation:

DIRECTORS' REPORT

- There is a dependence on the Department of Communications, Climate Action and Environment for short, medium and long term funding. There is a reasonable expectation that short term funding is available as there are formal agreements in place that govern cumulative funding of €42.5m for the period from mid-2008 to mid-2018.

The company has controls in place to limit potential exposures and management and the directors regularly review, reassess and proactively limit the associated risks.

TAX STATUS

The National Digital Research Centre Limited is recognised by the Revenue Commissioners as having registered charity status - registration number CHY 17664.

ACCOUNTING RECORDS

The measures taken by the directors to secure compliance with the company's obligation to keep adequate accounting records are the use of appropriate systems and procedures and employment of competent persons. The accounting records are kept at the company's registered office, which is Digital Exchange, Crane Street, The Digital Hub, and Dublin 8.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Irish law requires the directors to prepare financial statements for each financial year that give a true and fair view of the company's assets, liabilities and financial position as at the end of the financial year and of the profit or loss of the company for the financial year. Under that law the directors have prepared the financial statements in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland and Irish law).

Under Irish law, the directors shall not approve the financial statements unless they are satisfied that they give a true and fair view of the company's assets, liabilities and financial position as at the end of the financial year and the profit or loss of the company for the financial year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgements and estimates that are reasonable and prudent;

- state whether the financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the notes to the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to:

- correctly record and explain the transactions of the company;

- enable, at any time, the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy; and

- enable the directors to ensure that the financial statements comply with the Companies Act 2014 and enable those financial statements to be audited.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AUDITORS

The Auditor, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

SIGNED ON BEHALF OF THE BOARD

Gearoid Mooney
Director

Sean Baker
Director

INDEPENDENT AUDITORS' REPORT TO NDRC

OUR OPINION
In our opinion, National Digital Research Centre Limited's financial statements (the "financial statements"):

- give a true and fair view of the company's assets, liabilities and financial position as at 31 December 2014 and of its surplus for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

WHAT WE HAVE AUDITED
The financial statements comprise:

- the Balance Sheet as at 31 December 2014;
- the Income and Expenditure Account for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY THE COMPANIES ACT 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the Directors' Report is consistent with the financial statements.

MATTER ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION
DIRECTORS' REMUNERATION AND TRANSACTIONS

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT
OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Paul O'Connor

Paul O'Connor
for and on behalf of
PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm

INCOME AND EXPENDITURE ACCOUNT

FOR FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Notes	2014 €	2013 €
INCOME			
Government subvention	2	2,941,601	3,488,526
Other income	3	394,031	350,428
TOTAL INCOME		3,335,632	3,838,954
Research investment & fund management		(2,564,119)	(3,041,285)
General overheads and fund administration		(771,513)	(797,669)
OPERATING SURPLUS FOR YEAR	5	-	-
Interest receivable		-	1,505
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAX		-	1,505
Tax on surplus on ordinary activities	6	-	1,505
SURPLUS FOR THE FINANCIAL YEAR		-	**1,505**

There are no gains or losses in either year other than the surplus for the financial year and therefore no separate statement of total recognised gains and losses has been prepared.

There is no difference between the surplus for the financial year stated above and its historical cost equivalent.

The above results derive from continuing operations.

BALANCE SHEET

AS AT 31 DECEMBER 2015

	Notes	2014 €	2013 €
FIXED ASSETS			
Financial assets	7	362,288	228,775
Tangible assets	8	-	8,754
		362,288	237,529
CURRENT ASSETS			
Debtors	9	312,481	530,840
Cash at bank and in hand		1,589,206	844,847
		1,901,687	1,375,687
CREDITORS (amounts falling due within one year)	10	(1,533,080)	(882,321)
NET CURRENT ASSETS		368,607	493,366
TOTAL ASSETS LESS CURRENT LIABILITIES		730,895	730,895
CAPITAL AND RESERVES			
Income and expenditure account	12	730,895	730,895

SIGNED ON BEHALF OF THE BOARD

Gearoid Mooney

Gearoid Mooney
Director

Sean Baker

Sean Baker
Director

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES

ORGANISATION AND STATUS

The company was founded in 2006 and began operational establishment in 2007, for the charitable purpose of education, including promotion of innovation, research, development and education in the arts and sciences.

BASIS OF PREPARATION

The entity financial statements have been prepared on the going concern basis and in accordance with Generally Accepted Accounting Practice in Ireland (applicable accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland and the Companies Act 2014).

The entity financial statements have been prepared under the historical cost convention.

INCOME

Income from the Department of Communication, Energy and Natural Resources is recognised when costs are incurred.

Grant income from EU sources is recognised when costs are incurred.

Other sources of income are accounted for in the period to which they relate.

DEPRECIATION

Depreciation is calculated to write off the cost of tangible fixed assets over their expected useful lives as follows:

Industrial equipment	4 years
Computer equipment	3 years
Fixtures and fittings	5 years

PROJECT RELATED FIXED ASSETS

Capital equipment purchased by research partners and funded by NDRC, most of which is computer equipment, is written off to the Income and Expenditure account at time of purchase.

INVESTMENT IN RESEARCH ACTIVITIES

The company invests in the early stages of research-driven technology development and commercialisation through partnerships, new ventures, and continuous assessment projects. Investment in these projects is expensed to the Income and Expenditure account as the directors believe that given the stage of development of these entities and the underlying business opportunities, there is not an appropriate level of certainty as to the recoverability of the investment.

FINANCIAL FIXED ASSETS

As part of the investment portfolio of the company, follow-on investment by the company in the shares of companies that are commercialising intellectual property generated by the company's research investment activities is recognised on the balance sheet at cost, less allowance for impairment losses, in accordance with Financial Reporting Standard 9 – Associates and Joint Ventures.

CASH FLOW STATEMENT

Financial Reporting Standard Number 1, "Cash Flow Statements", exempts "small" companies from the requirement to prepare a cash flow statement. The company has availed of this exemption.

PENSION SCHEMES

The company operates an employer sponsored defined contribution pension scheme. The company's annual contributions are charged to the income and expenditure account in the financial year to which they relate.

TAXATION

Under the Taxes Consolidation Act, 1997, the company is exempted from corporation tax due to its status as a registered charity.

2. INCOME

	2014 €	2013€
Government subvention income	2,941,601	3,488,526

3. OTHER INCOME

	2014 €	2013 €
Service income	218,837	1,744
Proceeds on sale of interest	175,194	-
EU Grant income	-	292,514
Investment cost recoupment	-	56,170
	394,031	350,428

During 2014 the company realised €175,194 from the sale of an investment which had been carried at €nil in the balance sheet.

4. PARTICULARS OF STAFF

The average number of persons employed by the company (including directors) during the financial year was as follows:

	2014 €	2013 €
Research	8	11
Management	3	4
Administration	1	1
	12	16

The staff costs (including executive directors) comprise:	**2014 €**	2013 €
Wages and Salaries	902,760	1,195,019
Social insurance costs	96,738	112,716
Other retirement benefit costs	69,040	60,542
	1,068,538	1,368,277

5. OPERATING SURPLUS FOR YEAR

The surplus for the year is stated after charging the following:	**2014 €**	2013€
Audit remuneration – audit services	13,500	13,500
Audit remuneration – other services	-	-
Depreciation	8,754	22,014
Director emoluments:		
- services as director	-	-
- management services	160,050	160,050
- contribution to retirement benefit schemes – defined contribution	28,531	28,531
Impairment of investments	-	115,000

Retirement benefits are accruing to 1 director under a defined contribution scheme.

In accordance with its approval by the Revenue Authorities as a charitable entity, directors' emoluments are not paid in respect of services as directors. Directors' emoluments relate to the services of the Chief Executive Officer, whose remuneration is determined by the Remuneration Committee and ratified by the Board.

6. TAXATION

The service is exempt from company taxation on the basis that it is an eligible tax exempt charity for the purposes of Section 45 of the Finance Act, 2001.

7. FINANCIAL ASSETS

	2014 €	2013€
COST		
At 1 January	343,775	226,829
Additions during year	133,513	116,946
At 31 December	477,288	343,775
IMPAIRMENT		
At 1 January	115,000	-
Charge in year	-	115,000
At 31 December	115,000	115,000
NET BOOK AMOUNTS		
At 31 December	362,288	228,775

The company holds a proprietary beneficial interest of 29.2% in LingleOnline Limited and 16% in Silvercloud Health Limited. An impairment charge for the full holding value of LingleOnline Limited was reflected in the 2013 Income and Expenditure Account.

During the year, as part of a research commercialisation investment, the company invested €100,000 (2013: €50,150) in NVMdurance, a spinout created for the commercial exploitation of intellectual property developed.

During the year, as part of a research commercialisation investment, the company invested €8,513 (2013: €16,796) in Glidesys Holdings Limited, a spinout created for the commercial exploitation of intellectual property developed.

During the year, as part of a research commercialisation investment, the company invested €25,000 (2013: €nil) in PharmaPod Limited, a spinout created for the commercial exploitation of intellectual property developed.

8. TANGIBLE ASSETS

	Industrial equipment €	Computer equipment €	Fixtures and fittings €	Total €
COST				
At 31 December 2013	69,830	223,604	65,863	359,297
Additions during year	-	-	-	-
Disposals during year	-	-	-	-
At 31 December 2014	69,830	223,604	65,863	359,297
DEPRECIATION				
At 31 December 2013	69,830	218,908	61,805	350,543
Charge in year	-	4,696	4,058	8,754
Disposals during year	-	-	-	-
At 31 December 2014	69,830	223,604	65,863	359,297
NET BOOK AMOUNTS				
At 31 December 2014	-	-	-	-
At 31 December 2013	-	4,696	4,058	8,754

	Industrial equipment €	Computer equipment €	Fixtures and fittings €	Total €
COST				
At 31 December 2012	69,830	219,031	65,583	354,444
Additions during year	-	4,573	280	4,853
Disposals during year	-	-	-	-
At 31 December 2013	69,830	223,604	65,863	359,297
DEPRECIATION				
At 31 December 2012	69,830	201,662	57,037	328,529
Charge in year	-	17,246	4,768	22,014
Disposals during year	-	-	-	-
At 31 December 2013	69,830	218,908	61,805	350,543
NET BOOK AMOUNTS				
At 31 December 2014	-	4,696	4,058	8,754
At 31 December 2013	-	17,369	8,546	25,915

9. DEBTORS	**2014 €**	2013 €
Prepayments	35,040	37,281
Other debtors	277,441	446,540
VAT recoverable	-	47,019
	312,481	530,840

10. CREDITORS (amounts falling due within one year)	**2014 €**	2013 €
Trade creditors	105,835	106,614
Deferred income	864,916	306,034
Accruals	525,481	413,752
Other creditors including tax and social insurance	24,259	32,200
Pension and VHI	12,589	23,721
	1,533,080	882,321

Other creditors including tax and social insurance comprise	**2014 €**	2013 €
Income tax deducted under PAYE	14,368	21,706
Pay related social insurance	9,891	10,494
	24,259	32,200

Trade and other creditors are payable at various dates in the next three months in accordance with the suppliers' usual and customary credit terms. Tax and social insurance are repayable at various dates over the coming months in accordance with the applicable statutory provisions.

11. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to €69,040 (2013: €60,542).

Contributions payable to the fund at the year end have been included in accruals and amount to €9,871 (2013: €9,610).

12. INCOME AND EXPENDITURE ACCOUNT

	2014 €	2013 €
Balance at beginning of year	730,895	729,390
Surplus for year	-	1,505
Balance at the end of the year	730,895	730,895

13. RELATED PARTY TRANSACTIONS

Dr Sean Baker, a director of the company, provided services to the company outside of his role as a director. During the year, he provided services amounting to €12,282 (2013: €19,896), of which €8,736 (2013: €13,268) was outstanding at 31 December 2014.

Philip Sharpe, a director of the company, provided services to the company outside of his role as a director. During the year, he provided services amounting to €15,637 (2013: €13,152), of which €15,637 (2013: €6,431) was outstanding at 31 December 2014.

14. COMMITMENTS AND RELATED FUNDING

The company has entered into a renewed management operation and maintenance agreement with the Department of Communications, Energy and Natural Resources in August 2013 which provides for additional funding of €17.5m over a multi year period from 1 July 2013, bringing the cumulative total to €42.5m under these agreements. The renewed agreement, approved in August 2013, is governed by a contractual commitment of €17.5m funding with the expectation that the funding be fully drawn down within five years from 1 July 2013. At 31 December 2014, cumulative funding of €24.4 million had been received under the original agreement (2013: €24.4 million) and €5.3m (2013: €1.8m) under the renewal agreement.

In December 2014 the company entered into a non binding term sheet to invest €100,000 in Silvercloud Health Limited, a private company limited by shares.

15. EVENTS AFTER THE BALANCE SHEET DATE

Since the end of the financial year, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report or the financial statements that has significantly or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent years.

16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved on : 11 June 2015.