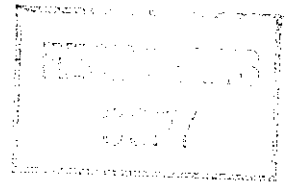


Linguamatics Limited

Abbreviated accounts

For the year ended 31 December 2005



Grant Thornton 



Company No. 4248841

Company information

Registered office

St Johns Innovation Centre
Cowley Road
Cambridge
CB4 0WS

Directors

Dr R W S Hale
Dr S F Knight
Dr J R Thomas
Dr D R Milward
Dr P J Hastings

Secretary

Dr R W S Hale

Accountants

Grant Thornton UK LLP
Chartered Accountants
Grant Thornton House
Kettering Parkway
KETTERING
Northants
NN15 6XR

Linguamatics Limited

Financial statements for the year ended 31 December 2005

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Grant Thornton 

Chartered accountants' report to the board of directors on the abbreviated accounts of Linguamatics Limited

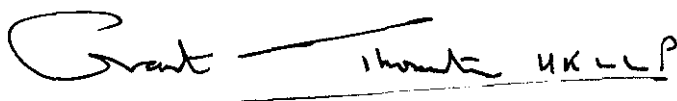
In accordance with the engagement letter dated 1 July 2004, and in order to assist you to fulfil your duties under the Companies Act 1985, we have compiled the abbreviated accounts of the company for the year ended 31 December 2005 which comprise the principal accounting policies, abbreviated balance sheet and the related notes from the unaudited statutory financial statements.

This report is made to the Company's Board of Directors, as a body, in accordance with the terms of our engagement. Our work has been undertaken so that we might compile the abbreviated accounts that we have been engaged to compile, report to the Company's Board of Directors that we have done so, and state those matters that we have agreed to state to them in this 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 Board of Directors, as a body, for our work or for this report.

We have carried out this engagement in accordance with technical guidance issued by the Institute of Chartered Accountants in England and Wales and have complied with the ethical guidance laid down by the Institute relating to members undertaking the compilation of financial statements.

You have acknowledged on the abbreviated balance sheet your duty to ensure that the company has kept proper accounting records and to prepare accounts that give a true and fair view under the Companies Act 1985. You consider that the company is exempt from the statutory requirement for an audit for the year.

We have not been instructed to carry out an audit of the abbreviated accounts. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the abbreviated accounts.



GRANT THORNTON UK LLP
CHARTERED ACCOUNTANTS

Kettering
13 June 2006

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

Changes in accounting policies

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards:

-Financial Reporting Standard for Smaller Entities (effective January 2005) (FRSSE 2005);

'Events after the Balance Sheet date'

The adoption of FRSSE 2005 has resulted in a change in accounting policy in respect of proposed equity dividends. If the company declares dividends to the holders of equity instruments after the balance sheet date, the company does not recognise those dividends as a liability at the balance sheet date. The aggregate amount of equity dividends proposed before approval of the financial statements, which have not been shown as liabilities at the balance sheet date, are disclosed in the notes to the financial statements. Previously, proposed equity dividends were recorded as liabilities at the balance sheet date.

As the company has not proposed dividends for the financial year, there has been no effect on the results for the year under review and no prior year adjustment is necessary.

'Financial Instruments: Disclosure and Presentation'

Details of the change in policy as a result of the implementation of FRSSE 2005 are given under financial instruments below.

There have been no prior period adjustments or effects on the year as a result of this change in accounting policy.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

In respect of long-term contracts and contracts for on-going services, turnover represents the value of work done in the year, including estimates of amounts not invoiced. Turnover in respect of long-term contracts and contracts for on-going services is recognised by reference to the stage of completion.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures & Fittings	- 4 years straight line
Office Equipment	- 4 years straight line

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

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

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Abbreviated balance sheet

	Note	£	2005 £	£	2004 £
Fixed assets	1				
Tangible assets			8,479		3,569
Current assets					
Debtors		239,367		56,192	
Cash at bank and in hand		99,085		21,179	
		<u>338,452</u>		<u>77,371</u>	
Creditors: amounts falling due within one year		<u>288,612</u>		<u>57,632</u>	
Net current assets			<u>49,840</u>		19,739
Total assets less current liabilities			<u>58,319</u>		<u>23,308</u>
Capital and reserves					
Called-up equity share capital	2		520		500
Profit and loss account			<u>57,799</u>		<u>22,808</u>
Shareholders' funds			<u>58,319</u>		<u>23,308</u>

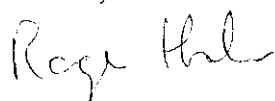
The directors are satisfied that the company is entitled to exemption from the provisions of the Companies Act 1985 (the Act) relating to the audit of the financial statements for the year by virtue of section 249A(1), and that no member or members have requested an audit pursuant to section 249B(2) of the Act.

The directors acknowledge their responsibilities for:

- (i) ensuring that the company keeps proper accounting records which comply with section 221 of the Act, and
- (ii) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Act relating to financial statements, so far as applicable to the company.

These abbreviated accounts have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

These abbreviated accounts were approved by the directors on 13 June 2006 and are signed on their behalf by:



R W S Hale
Director

The accompanying accounting policies and notes form part of these abbreviated accounts.

Notes to the abbreviated accounts

1 Fixed assets

	Tangible Assets £
Cost	
At 1 January 2005	7,812
Additions	9,151
At 31 December 2005	<u>16,963</u>
Depreciation	
At 1 January 2005	4,243
Charge for year	4,241
At 31 December 2005	<u>8,484</u>
Net book value	
At 31 December 2005	<u>8,479</u>
At 31 December 2004	<u>3,569</u>

2 Share capital

Authorised share capital:

	2005 £	2004 £
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	2005 No	£	2004 No	£
Ordinary shares of £1 each	<u>520</u>	<u>520</u>	<u>500</u>	<u>500</u>

The company made an allotment of 20 ordinary £1 shares at £1 per share to new members in order to expand the skills base of shareholders/participants.