

Group Financial Statements Linguamatics Limited

For the Year Ended 31 December 2015



Registered number: 04248841

Linguamatics Limited
Registered number:04248841

Company Information

Directors	Dr R W S Hale Dr D R Milward Dr P J Hastings J M Brimacombe
Company secretary	Dr R W S Hale
Registered number	04248841
Registered office	324 Science Park Milton Road Cambridge CB4 0WG
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 101 Cambridge Science Park Milton Road Cambridge Cambridgeshire CB4 0FY
Bankers	HSBC Bank Plc 32 Market Hill Cambridge CB2 3HZ

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Group Strategic Report

For the Year Ended 31 December 2015

Introduction

Linguamatics Limited is a global leader in the application of Natural Language Processing technology to high value knowledge discovery problems across multiple market segments – in particular Pharmaceuticals, Healthcare & Government. The company's flagship technology platform is the I2E text mining platform which is both licensed for in-house installation by enterprise customers and combined with a broad range of content resources in a fully hosted alternative. The group has deep scientific and technical resources and uses these to leverage the value of its platform by providing ancillary consulting services.

Business review

The group demonstrated strong performance in 2015 with sales bookings strongly ahead of plan, robust (28.6%) year-on-year Turnover growth and significant Profit after Tax. The group performed well in both its key geographies (the USA and Europe) and in its main market segments (Pharmaceuticals, Government & Healthcare) with particularly strong growth in Healthcare.

Principal risks and uncertainties

The group's market position continues to be based on its ability to maintain a performance edge over competitor offerings to its main platform and there is a risk that unexpected technical hurdles are encountered or that new competitors enter the market. To maintain and grow its business the group needs to recruit highly qualified technical staff and there is a risk that this will become a constraint on growth. Finally the group has significant exposure to foreign exchange volatility which is minimised by the purchase of appropriate financial instruments.

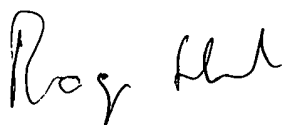
Financial key performance indicators

The KPI's viewed most critical by the Board are Turnover (2015: £6.67m), annualised Turnover Growth (2015: 28.6%) and Current Assets (2015: £7.86m).

Other key performance indicators

Other key performance indicators are net annual increase in employee numbers (2015: 11) and number of major software platform releases (2015: 2).

This report was approved by the board on 4 March 2016 and signed on its behalf.



Dr RWS Hale

Director

Directors' Report

For the Year Ended 31 December 2015

The directors present their report and the financial statements for the year ended 31 December 2015.

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

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

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

Results and dividends

The profit for the year, after taxation, amounted to £283,410 (2014 - loss £140,139).

Directors

The directors who served during the year were:

Dr R W S Hale
Dr D R Milward
Dr P J Hastings
J M Brimacombe

Directors' Report

For the Year Ended 31 December 2015

Disclosure of information to auditor

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

- so far as that director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- that 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 auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditors

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 4 March 2016 and signed on its behalf.



Dr R W S Hale
Director



Independent Auditor's Report to the Members of Linguamatics Limited

We have audited the financial statements of Linguamatics Limited for the year ended 31 December 2015, which comprise the consolidated Statement of comprehensive income, the consolidated and company Statement of financial positions, the consolidated and company Statement of changes in equity, the consolidated Statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 102 (FRS 102) (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 2015 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

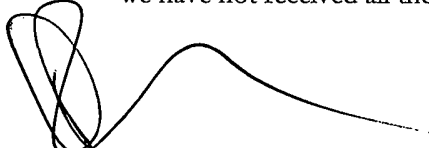


Independent Auditor's Report to the Members of Linguamatics Limited

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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.



Paul Brown (Senior Statutory Auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Cambridge

7 March 2016

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2015

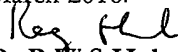
		2015 £	2014 £
Turnover	2	6,668,958	5,187,277
Administrative expenses		(6,899,931)	(5,308,619)
Fair value movement on forward contracts		91,871	(362,136)
		<hr/>	<hr/>
Operating loss	3	(139,102)	(483,478)
Interest receivable and similar income	7	28,112	45,699
		<hr/>	<hr/>
Loss before tax		(110,990)	(437,779)
Taxation on loss on ordinary activities	8	394,400	297,640
		<hr/>	<hr/>
Profit/(loss) and total comprehensive income for the year		283,410	(140,139)
		<hr/>	<hr/>
Profit/(loss) for the year attributable to:			
Owners of the parent company		283,410	(140,139)
		<hr/>	<hr/>

Consolidated Statement of Financial Position

As at 31 December 2015

			2015 £	2014 £
Tangible assets	10		263,405	115,928
			<u>263,405</u>	<u>115,928</u>
Current assets				
Debtors: amounts falling due within one year	12	5,329,699	2,812,147	
Current asset investments	14	293,011	543,588	
Bank & cash balances		2,237,481	2,556,961	
		<u>7,860,191</u>	<u>5,912,696</u>	
Creditors: amounts falling due within one year	15	(6,286,746)	(4,519,217)	
Net current assets			<u>1,573,445</u>	<u>1,393,479</u>
Total assets less current liabilities			<u>1,836,850</u>	<u>1,509,407</u>
Deferred tax asset				
Deferred tax		36,441	51,221	
		<u>36,441</u>	<u>51,221</u>	
Net assets			<u><u>1,873,291</u></u>	<u><u>1,560,628</u></u>
Capital and reserves				
Called up share capital			581	576
Share premium account			10,713	8,779
Foreign exchange reserve			30,742	8,490
Other reserves			22,542	17,480
Profit and loss account			1,808,713	1,525,303
			<u><u>1,873,291</u></u>	<u><u>1,560,628</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4 March 2016.


Dr R W S Hale
Director

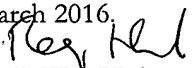
The notes on pages 13 to 31 form part of these financial statements.

Company Statement of Financial Position

As at 31 December 2015

		2015 £	2014 £
Fixed assets			
Tangible assets	10	89,455	112,979
Investments	11	5,136	5,136
		<u>94,591</u>	<u>118,115</u>
Current assets			
Debtors: amounts falling due within one year	12	1,261,462	3,084,234
Current asset investments	14	293,011	543,588
Bank & cash balances		1,007,950	1,794,038
		<u>2,562,423</u>	<u>5,421,860</u>
Creditors: amounts falling due within one year	15	(1,490,714)	(4,576,883)
Net current assets		<u>1,071,709</u>	<u>844,977</u>
Total assets less current liabilities		<u>1,166,300</u>	<u>963,092</u>
Deferred tax asset			
Deferred tax		42,027	51,221
		<u>42,027</u>	<u>51,221</u>
Net assets		<u><u>1,208,327</u></u>	<u><u>1,014,313</u></u>
Capital and reserves			
Called up share capital		581	576
Share premium account		10,713	8,779
Other reserves		22,542	17,480
Profit and loss account		1,174,491	987,478
		<u><u>1,208,327</u></u>	<u><u>1,014,313</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4 March 2016.


Dr R W S Hale
Director

Linguamatics Limited
Registered number:04248841

Consolidated Statement of Changes in Equity

As at 31 December 2015

	Share capital	Share premium	Foreign exchange reserve	Other reserves	Retained earnings	Total equity
	£	£	£	£	£	£
At 1 January 2015	576	8,779	8,490	17,480	1,525,303	1,560,628
Comprehensive income for the year						
Profit for the year	-	-	-	-	283,410	283,410
Contributions by and distributions to owners						
Shares issued during the year	5	1,934	-	-	-	1,939
Share based payments	-	-	22,252	5,062	-	27,314
At 31 December 2015	581	10,713	30,742	22,542	1,808,713	1,873,291

Linguamatics Limited
Registered number:04248841

Consolidated Statement of Changes in Equity

As at 31 December 2014

	Share capital	Share premium	Foreign exchange reserve	Other reserves	Retained earnings	Total equity
	£	£	£	£	£	£
At 1 January 2014	576	8,715	8,490	-	1,665,442	1,683,223
Comprehensive income for the year						
Loss for the year	-	-	-	-	(140,139)	(140,139)
Contributions by and distributions to owners						
Shares issued during the year	-	64	-	-	-	64
Share based payments	-	-	-	17,480	-	17,480
At 31 December 2014	576	8,779	8,490	17,480	1,525,303	1,560,628

The notes on pages 13 to 31 form part of these financial statements.

Company Statement of Changes in Equity

As at 31 December 2015

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
	£	£	£	£	£
At 1 January 2015	576	8,779	17,480	987,478	1,014,313
Comprehensive income for the year					
Profit for the year	-	-	-	187,013	187,013
Contributions by and distributions to owners					
Shares issued during the year	5	1,934	-	-	1,939
Share based payments	-	-	5,062	-	5,062
At 31 December 2015	581	10,713	22,542	1,174,491	1,208,327

Company Statement of Changes in Equity

As at 31 December 2014

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
	£	£	£	£	£
At 1 January 2014	576	8,715	-	1,227,556	1,236,847
Comprehensive income for the year					
Loss for the year	-	-	-	(240,078)	(240,078)
Contributions by and distributions to owners					
Shares issued during the year	-	64	-	-	64
Share based payments	-	-	17,480	-	17,480
At 31 December 2014	576	8,779	17,480	987,478	1,014,313

The notes on pages 13 to 31 form part of these financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2015.

	2015 £	2014 £
Cash flows from operating activities		
Profit/(loss) for the financial year	283,410	(140,139)
Adjustments for:		
Depreciation of tangible assets	98,499	92,223
Interest received	(28,112)	(45,699)
Taxation	(415,373)	(214,293)
(Increase)/decrease in debtors	(2,529,332)	832,456
Increase in creditors	1,773,117	203,390
Corporation tax	415,373	214,293
Share based payments	5,062	17,480
Forex	22,250	10,490
	<u>(375,106)</u>	<u>970,201</u>
Net cash generated from operating activities		
Cash flows from investing activities		
Purchase of tangible fixed assets	(245,976)	(48,920)
Interest received	28,112	45,699
Movement in current asset investments	250,577	112,161
	<u>32,713</u>	<u>108,940</u>
Net cash from investing activities		
Cash flows from financing activities		
Issue of ordinary shares	1,939	64
	<u>1,939</u>	<u>64</u>
Net cash used in financing activities		
Net increase / (decrease) in cash and cash equivalents	<u>(340,454)</u>	<u>1,079,205</u>
Cash and cash equivalents at beginning of year	2,556,962	1,561,104
Cash and cash equivalents at the end of year	<u>2,216,508</u>	<u>2,640,309</u>
	<u>2,237,481</u>	<u>2,556,962</u>
Cash at bank and in hand	<u>2,237,481</u>	<u>2,556,962</u>

Notes to the Financial Statements

For the Year Ended 31 December 2015

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 22.

1.2 Basis of consolidation

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of services supplied during the year, exclusive of Value Added Tax.

Licence revenues and consultancy income under the rental model are recognised over the period to which the rental fee relates but only after practical acceptance of the software has been received.

1.4 Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

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

The estimated useful lives range as follows:

Fixtures & fittings	-	4	years
Office equipment	-	4	years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Consolidated Statement of Comprehensive Income.

1.5 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

1.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Notes to the Financial Statements

For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.7 Debtors

Short term debtors are measured at transaction price, less any impairment.

1.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on the notice of between 24 hours and six months. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

1.9 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.

1.10 Creditors

Short term creditors are measured at the transaction price.

1.11 Grant income

Grants are credited to the Profit and loss account as the related expenditure is incurred.

1.12 Current asset investments

Current asset investments represent bank deposit accounts with limited access, the notice periods of these accounts is between 3 and 6 months.

Notes to the Financial Statements

For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.13 Foreign currency translation

The group's functional currency is GBP.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Income statement.

1.14 Forward exchange contracts (derivatives)

The group values forward exchange contracts at the MTM value as at the period end.

Any change in fair value is taken to the Statement of comprehensive income.

The assets or liabilities are held at fair value through profit and loss.

1.15 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Income Statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Income Statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Income Statement is charged with fair value of goods and services received.

Notes to the Financial Statements

For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.16 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payments obligations.

The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

1.17 Interest income

Interest income is recognised in the Income Statement using the effective interest method.

1.18 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Notes to the Financial Statements

For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

1.20 Related party transactions

Related parties include Directors and entities with common directorships.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received.

Notes to the Financial Statements

For the Year Ended 31 December 2015

2. Analysis of turnover

An analysis of turnover by class of business is as follows:

	2015 £	2014 £
Licencing sales	5,721,739	4,405,659
Consultancy sales	818,575	709,535
Other income	128,644	72,083
	<u>6,668,958</u>	<u>5,187,277</u>

Analysis of turnover by country of destination:

	2015 £	2014 £
United Kingdom	498,782	502,383
Rest of Europe	1,632,835	1,230,771
North America	4,537,341	3,454,123
	<u>6,668,958</u>	<u>5,187,277</u>

3. Operating loss

The operating loss is stated after charging/(crediting):

	2015 £	2014 £
Depreciation of tangible fixed assets	98,498	89,738
Operating lease costs	120,531	125,898
Exchange differences	154,103	(147,925)
Pension costs	144,500	116,749
	<u></u>	<u></u>

4. Auditor's remuneration

	2015 £	2014 £
Fees payable to the Group's auditor for the audit of the Group's annual accounts	4,000	3,750
Audit of subsidiaries	13,000	4,000
Other services - tax compliance work	2,700	1,802

Notes to the Financial Statements

For the Year Ended 31 December 2015

5. Employees

Staff costs, including directors' remuneration, were as follows:

	2015 £	2014 £
Wages and salaries	4,465,905	3,346,682
Social security costs	415,441	316,740
Cost of defined contribution scheme	144,500	116,749
	<u>5,025,846</u>	<u>3,780,171</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2015 No.	2014 No.
	<u>71</u>	<u>60</u>

6. Directors' remuneration

	2015 £	2014 £
Directors' emoluments	558,984	425,971
Company contributions to defined contribution pension schemes	29,950	26,334
	<u>588,934</u>	<u>452,305</u>

During the year retirement benefits were accruing to 4 directors (2014 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £264,842 (2014 - £168,301).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £5,674 (2014 - £5,054).

7. Interest receivable

	2015 £	2014 £
Other interest receivable	28,112	45,699
	<u>28,112</u>	<u>45,699</u>

Notes to the Financial Statements

For the Year Ended 31 December 2015

8. Taxation

	2015 £	2014 £
Corporation tax		
Current tax on profits for the year	(335,552)	(196,610)
Adjustments in respect of previous periods	(73,628)	(17,683)
	<u>(409,180)</u>	<u>(214,293)</u>
Total current tax	<u>(409,180)</u>	<u>(214,293)</u>
Deferred tax		
Origination and reversal of timing differences	14,780	(83,347)
Total deferred tax	<u>14,780</u>	<u>(83,347)</u>
Taxation on loss on ordinary activities	<u>(394,400)</u>	<u>(297,640)</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2014 - lower than) the standard rate of corporation tax in the UK of 20.25% (2014 - 21.49%). The differences are explained below:

	2015 £	2014 £
(Loss)/profit on ordinary activities before tax	<u>(110,990)</u>	<u>(437,779)</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.49%)	(22,475)	(94,079)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	37,257	4,928
Capital allowances for year in excess of depreciation	1,151	1,222
Other permanent differences	(3,762)	(137)
Deduction for R&D relief	(453,681)	(394,282)
Surrender of losses for R&D tax credit	141,159	202,475
Adjustments to tax charge in respect of prior periods	(73,628)	(17,683)
R&D expenditure credit	(22,113)	-
Adjustment for opening/closing deferred tax rate	4,614	3,824
Deferred tax not recognised	(2,922)	(3,908)
Total tax charge for the year	<u>(394,400)</u>	<u>(297,640)</u>

Notes to the Financial Statements

For the Year Ended 31 December 2015

9. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent Company for the year was £187,013 (2014 - loss £240,078).

10. Tangible fixed assets

Group

	Fixtures & fittings	Office equipment	Total
	£	£	£
Cost			
At 1 January 2015	194,073	206,443	400,516
Additions	5,001	240,975	245,976
At 31 December 2015	199,074	447,418	646,492
Depreciation			
At 1 January 2015	140,279	144,310	284,589
Charge for the period	48,059	50,439	98,498
At 31 December 2015	188,338	194,749	383,087
At 31 December 2015	10,736	252,669	263,405
At 31 December 2014	53,794	62,133	115,927

Notes to the Financial Statements

For the Year Ended 31 December 2015

Company

	Fixtures & fittings £	Office equipment £	Total £
Cost or valuation			
At 1 January 2015	194,073	191,915	385,988
Additions	5,001	59,396	64,397
At 31 December 2015	199,074	251,311	450,385
Depreciation			
At 1 January 2015	140,279	132,730	273,009
Charge for the period	48,059	39,862	87,921
At 31 December 2015	188,338	172,592	360,930
At 31 December 2015	10,736	78,719	89,455
At 31 December 2014	53,794	59,185	112,979

Notes to the Financial Statements

For the Year Ended 31 December 2015

11. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Linguamatics Solutions Limited	UK	Ordinary £1	100 %	Trading subsidiary
Linguamatics Solutions Incorporated	US	Common \$1	100 %	Sales office in the US

The aggregate of the share capital and reserves as at 31 December 2015 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves	Profit/(loss)
	£	£
Linguamatics Solutions Limited	149,925	42,016
Linguamatics Solutions Incorporated	532,769	63,358
	<u> </u>	<u> </u>

Company

Investments
in subsidiary
companies
£

Cost or valuation

At 1 January 2015 5,136

At 31 December 2015 5,136

At 31 December 2014 5,136

Notes to the Financial Statements

For the Year Ended 31 December 2015

12. Debtors

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Trade debtors	4,169,662	2,185,420	237,047	375,511
Amounts owed by group undertakings	-	-	316,010	2,159,166
Other debtors	105,135	121,794	57,990	114,753
Prepayments and accrued income	641,976	275,993	246,393	210,899
Tax recoverable	412,926	228,940	404,022	223,905
	<u>5,329,699</u>	<u>2,812,147</u>	<u>1,261,462</u>	<u>3,084,234</u>

13. Capital commitments

The company had no capital commitments at 31 December 2015 or 31 December 2014.

14. Current asset investments

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Amounts held on deposit with the bank	293,011	543,588	293,011	543,588
	<u>293,011</u>	<u>543,588</u>	<u>293,011</u>	<u>543,588</u>

15. Creditors: Amounts falling due within one year

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Trade creditors	35,852	27,153	21,320	17,337
Amounts owed to group companies	-	-	554,496	2,757,695
Taxation and social security	42,031	17,982	42,031	17,982
Other creditors	6,053	4,789	6,053	4,790
Accruals and deferred income	6,097,850	4,272,462	761,854	1,582,248
Financial instruments	104,960	196,831	104,960	196,831
	<u>6,286,746</u>	<u>4,519,217</u>	<u>1,490,714</u>	<u>4,576,883</u>

No security is held over any creditors.

Notes to the Financial Statements

For the Year Ended 31 December 2015

16. Financial instruments

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Financial assets	4,567,808	2,850,802	904,058	3,193,018
	<u>4,567,808</u>	<u>2,850,802</u>	<u>904,058</u>	<u>3,193,018</u>
Financial liabilities measured at amortised cost	(1,031,851)	(397,120)	(1,032,496)	(3,092,367)
Derivative financial instruments held at fair value through profit and loss	(104,960)	(196,831)	(104,960)	(196,831)
	<u>(1,136,811)</u>	<u>(593,951)</u>	<u>(1,137,456)</u>	<u>(3,289,198)</u>

17. Deferred taxation

Group

	Deferred tax £
At 1 January 2015	51,221
Charged to the profit or loss	(14,780)
At 31 December 2015	<u>36,441</u>

The deferred tax asset is made up as follows:

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Fixed asset timing differences	(28,815)	1,167	983	1,167
Short term timing differences	39,053	47,841	39,053	47,841
Losses and other deductions	26,203	2,213	1,991	2,213
	<u>36,441</u>	<u>51,221</u>	<u>42,027</u>	<u>51,221</u>

Notes to the Financial Statements

For the Year Ended 31 December 2015

18. Share based payments

Linguamatics Limited operates an equity-settled share based remuneration scheme for employees. All employees are eligible to participate in the long term incentive scheme. On the first anniversary of the employee's Start Date one quarter of the Option Shares granted will vest. Thereafter the Option Shares will vest such that one sixteenth of the total number of options granted will vest at the end of each subsequent three month period such that all Option Shares will have vested on the fourth anniversary of the Start Date.

	Weighted average exercise price (pence) 2015	Number 2015	Weighted average exercise price (pence) 2014	Number 2014
Outstanding at the beginning of the year	0.09132	330,100	0.07308	269,500
Granted during the year	0.22970	42,960	0.16660	63,100
Exercised during the year	0.03878	(50,000)	0.02580	(2,500)
Expired during the year	0.07906	(16,250)	0	-
Outstanding at the end of the year	0.11990	306,810	0.09132	330,100

The exercise price of options outstanding at the end of the year ranged between 0.0192p and 0.2297p (2014: 0.0192-0.166p).

Of the total number of options outstanding at the end of the year, 120,500 (2014 - 128,500) had vested and were exercisable at the end of the year.

Since the company has no dividend history an earnings-based valuation was deemed appropriate, in accordance with HMRC Share Valuations Manual.

Notes to the Financial Statements

For the Year Ended 31 December 2015

19. Contingent liabilities

There were no contingent liabilities at 31 December 2015 or 31 December 2014.

20. Commitments under operating leases

At 31 December 2015 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Not later than 1 year	140,413	147,080	140,413	147,413
Later than 1 year and not later than 5 years	21,180	161,593	21,180	161,593
Total	161,593	308,673	161,593	309,006

21. Related party transactions

During the year the company received rental income of £5,972 (2014: £23,642) from Endomagnetics Ltd, a company in which J M Brimacombe is also a director. There were no amounts outstanding at the year end (2014: £nil).

The company has taken advantage of the FRS 8 exemption not to disclose transactions with its wholly owned subsidiaries, Linguamatics Solutions Limited and Linguamatics Solutions Incorporated.

Linguamatics Limited

Notes to the Financial Statements

For the Year Ended 31 December 2015

22. First time adoption of FRS 102

Group

	As previously stated 1 January 2014 £	Effect of transition 1 January 2014 £	FRS 102 (as restated) 1 January 2014 £	As previously stated 31 December 2014 £	Effect of transition 31 December 2014 £	FRS 102 (as restated) 31 December 2014 £
Fixed assets	158,933	-	158,933	115,928	-	115,928
Current assets	7,147,626	165,304	7,312,930	5,912,696	1	5,912,697
Creditors: amounts falling due within one year	(6,148,455)	-	(6,148,455)	(4,322,386)	(196,832)	(4,519,218)
Net current assets	999,171	165,304	1,164,475	1,590,310	(196,831)	1,393,479
Total assets less current liabilities	1,158,104	165,304	1,323,408	1,706,238	(196,831)	1,509,407
Provisions for liabilities	(935)	-	(935)	-	51,221	51,221
Net assets	1,157,169	165,304	1,322,473	1,706,238	(145,610)	1,560,628
Capital and reserves	1,157,169	165,304	1,322,473	1,706,238	(145,610)	1,560,628

Notes to the Financial Statements

For the Year Ended 31 December 2015

22. First time adoption of FRS 102 (continued)

	As previously stated 31 December 2014 £	Effect of transition 31 December 2014 £	FRS 102 (as restated) 31 December 2014 £
Turnover	5,187,277	-	5,187,277
	5,187,277	-	5,187,277
Administrative expenses	(5,291,140)	(379,615)	(5,670,755)
Operating profit	(103,863)	(379,615)	(483,478)
Interest receivable and similar income	45,699	-	45,699
Taxation	214,293	83,347	297,640
Profit/(loss) on ordinary activities after taxation and for the financial year	156,129	(296,268)	(140,139)

Explanation of changes to previously reported profit and equity:

- 1 Forward currency contracts (£165,304 and £196,831), share based payments (£17,480) and deferred tax (£51,221) now being recognised on the Statement of Financial Position and Statement of Comprehensive Income.

Linguamatics Limited

Notes to the Financial Statements

For the Year Ended 31 December 2015

22. First time adoption of FRS 102 (continued)

Company

	As previously stated 1 January 2014 £	Effect of transition 1 January 2014 £	FRS 102 (as restated) 1 January 2014 £	As previously stated 31 December 2014 £	Effect of transition 31 December 2014 £	FRS 102 (as restated) 31 December 2014 £
Fixed assets	158,933	-	158,933	118,116	-	118,116
Current assets	4,547,811	165,304	4,713,115	5,421,859	-	5,421,859
Creditors: amounts falling due within one year	(3,646,348)	-	(3,646,348)	(4,380,051)	(196,832)	(4,576,883)
Net current assets	901,463	165,304	1,066,767	1,041,808	(196,832)	844,976
Total assets less current liabilities	1,060,396	165,304	1,225,700	1,159,924	(196,832)	963,092
Provisions for liabilities	(935)	-	(935)	-	51,221	51,221
Net assets	1,059,461	165,304	1,224,765	1,159,924	(145,611)	1,014,313
Capital and reserves	1,059,461	165,304	1,224,765	1,159,924	(145,611)	1,014,313

Notes to the Financial Statements

For the Year Ended 31 December 2015

22. First time adoption of FRS 102 (continued)

	As previously stated 31 December 2014 £	Effect of transition 31 December 2014 £	FRS 102 (as restated) 31 December 2014 £
Turnover	4,578,669	-	4,578,669
	4,578,669	-	4,578,669
Administrative expenses	(4,777,869)	(379,615)	(5,157,484)
Operating profit	(199,200)	(379,615)	(578,815)
Interest receivable and similar income	45,699	-	45,699
Taxation	209,691	83,347	293,038
Profit/(loss) on ordinary activities after taxation and for the financial year	56,190	(296,268)	(240,078)

Explanation of changes to previously reported profit and equity:

- 1 Forward currency contracts (£165,304 and £196,831), share based payments (£17,480) and deferred tax (£51,221) now being recognised on the Statement of Financial Position and Statement of Comprehensive Income.