

TouchType Mobile Limited

Report and Financial Statements

Year Ended

31 December 2016

Company Number 07772064

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TouchType Mobile Limited

Company Information

Directors	K R Dolliver B O Orndorff
Company secretary	Reed Smith Corporate Services Limited
Registered number	07772064
Registered office	The Broadgate Tower Third Floor 20 Primrose Street London EC2A 2RS
Independent auditors	BDO LLP 55 Baker Street London W1U 7EU

TouchType Mobile Limited

Contents

	Page
Directors' Report	1 - 2
Directors' Responsibilities Statement	3
Independent Auditors' Report	4 - 5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Notes to the Financial Statements	9 - 17

TouchType Mobile Limited

Directors' Report For the Year Ended 31 December 2016

The directors present their report together with the audited financial statements for the year ended 31 December 2016.

Principal activity

The principal activity of the company is software development.

Results and dividends

The profit for the year, after taxation, amounted to £4,149,919 (2015 - £3,733,030).

The directors have not recommended a dividend in the current or prior year.

Directors

The directors who served during the year were:

K R Dolliver (appointed 1 March 2016)
B O Orndorff (appointed 1 March 2016)
R L Smith (resigned 1 March 2016)
B W Medlock (resigned 1 March 2016)
J P Reynolds (resigned 1 March 2016)

Qualifying third party indemnity provisions

A qualifying indemnity provision was in force for the benefit of each director of the company in respect of liabilities that may attach to them in their capacity as directors of the company or of associated companies. These indemnities were granted at different times according to the law in place at the time and where relevant are qualifying third-party indemnity provisions as defined by section 234 of the Companies Act 2006. These indemnities were in force throughout the year and are currently in force.

Future developments

TouchType Mobile will continue to provide software licences and professional services to existing customers only.

Going concern

The directors have considered it appropriate to prepare the financial statements on the going concern basis, given the resources of the ultimate parent company Microsoft Corporation.

Overseas branch

The directors are satisfied with the performance of the Korean branch during the year.

Disclosure of information to auditors

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

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

TouchType Mobile Limited

Directors' Report (continued) For the Year Ended 31 December 2016

Auditors

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

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 15 March 2018 and signed on its behalf.



K R Dolliver
Director

TouchType Mobile Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2016

The directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements 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;
- 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 show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

TouchType Mobile Limited

Independent Auditors' Report to the Members of TouchType Mobile Limited

We have audited the financial statements of TouchType Mobile Limited for the year ended 31 December 2016 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (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 auditors

As explained more fully in the statement of directors' responsibilities, 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 Financial Reporting Council's (FRC'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 FRC'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 company's affairs as at 31 December 2016 and of its 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 matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

TouchType Mobile Limited

Independent Auditors' Report to the Members of TouchType Mobile Limited (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the directors' report in accordance with the small companies regime and to the exemption from the requirement to prepare a strategic report.

BDO LLP

Gary Hanson (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

Date: 20 March 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

TouchType Mobile Limited

Statement of Comprehensive Income For the Year Ended 31 December 2016

	Note	2016 £	2015 £
Turnover	4	5,769,989	7,487,258
Cost of sales		(620,054)	(3,325,248)
Gross profit		5,149,935	4,162,010
Administrative expenses		293,047	(175,741)
Operating profit	5	5,442,982	3,986,269
Interest receivable and similar income	8	74,313	50
Profit on ordinary activities before taxation		5,517,295	3,986,319
Tax on profit	9	(1,367,376)	(253,289)
Profit for the financial year		4,149,919	3,733,030
Other comprehensive income for the year			
Currency translation differences		(32,457)	(757)
Other movements on intra group balances		202,427	-
Other comprehensive income for the year		169,970	(757)
Total comprehensive income for the year		4,319,889	3,732,273

The notes on pages 9 to 17 form part of these financial statements.

TouchType Mobile Limited

Registered number: 07772064

Statement of Financial Position As at 31 December 2016

	Note	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Tangible assets			-		4,364
Current assets					
Debtors: amounts falling due within one year	10	15,112,508		15,640,491	
Cash at bank and in hand		4,715,613		319,355	
		<u>19,828,121</u>		<u>15,959,846</u>	
Creditors: amounts falling due within one year	11	(3,368,682)		(3,824,660)	
Net current assets			<u>16,459,439</u>		<u>12,135,186</u>
Net assets			<u><u>16,459,439</u></u>		<u><u>12,139,550</u></u>
Capital and reserves					
Called up share capital	12		1		1
Profit and loss account	13		16,459,438		12,139,549
Total equity			<u><u>16,459,439</u></u>		<u><u>12,139,550</u></u>

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

15 March 2018.


K R Dolliver
Director

The notes on pages 9 to 17 form part of these financial statements.

TouchType Mobile Limited

Statement of Changes in Equity For the Year Ended 31 December 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2016	1	12,139,549	12,139,550
Comprehensive income for the year			
Profit for the year	-	4,149,919	4,149,919
Currency translation differences	-	(32,457)	(32,457)
Other movements on intra group balances	-	202,427	202,427
Other comprehensive income for the year	-	169,970	169,970
Total comprehensive income for the year	-	4,319,889	4,319,889
At 31 December 2016	1	16,459,438	16,459,439

Statement of Changes in Equity For the Year Ended 31 December 2015

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2015	1	8,407,276	8,407,277
Comprehensive income for the year			
Profit for the year	-	3,733,030	3,733,030
Currency translation differences	-	(757)	(757)
Other comprehensive income for the year	-	(757)	(757)
Total comprehensive income for the year	-	3,732,273	3,732,273
At 31 December 2015	1	12,139,549	12,139,550

The notes on pages 9 to 17 form part of these financial statements.

TouchType Mobile Limited

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

1. General information

TouchType Mobile Limited is a company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the latest consolidated financial statements of Microsoft Corporation and these financial statements may be obtained by, contacting Microsoft Investor Relations at any time to order financial documents such as annual reports and Form 10-Ks free of charge.

2.3 Going concern

Having considered the current and projected financial position of the company, the directors have prepared the financial statements on the going concern basis. In making this determination, the directors have had regard to the financial position of Microsoft Corporation, the group in which the company is now a member.

TouchType Mobile Limited

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

2. Accounting policies (continued)

2.4 Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales.

The company earns revenue from the sale of software licences and the provision of professional services, support, maintenance and related services.

Licence revenue is recognised as the software is delivered; notwithstanding this, arrangements with customers are assessed to determine whether a single contract includes separate deliverables. Where this is the case and values can be reliably estimated, revenue is recognised for each deliverable in line with the delivery of the service. If no reliable estimate of the relative values of separate deliverables can be made, revenue is recognised evenly over the term of the arrangement.

Revenue arising from service, support and maintenance is recognised as the service is performed.

Royalty income is recognised in the financial statements when information to determine the level of royalty receivable is available.

2.5 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.6 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. 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.

2.7 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

TouchType Mobile Limited

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

2. Accounting policies (continued)

2.7 Financial instruments (continued)

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

2.8 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.9 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the company's branches are measured using the currency of the primary economic environment in which the branch operates ('the functional currency'). The statutory company financial statements are presented in sterling, which is the company's presentation currency.

The results of the overseas branch are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

Transactions and balances

Foreign currency transactions are translated into the branches' respective functional currencies using the exchange rates prevailing at the invoiced dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.10 Leased assets: lessee

Annual rentals under operating lease agreements are charged to profit or loss on a straight-line basis over the term of the lease.

TouchType Mobile Limited

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

2. Accounting policies (continued)

2.11 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

2.12 Current and deferred taxation

Tax is recognised in the statement of comprehensive income, except that a charge 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 operates and generates income.

Deferred tax 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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 tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The directors do not believe that there are any key estimates and judgements which are required for the preparation of the financial statements.

TouchType Mobile Limited

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

4. Turnover

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

	2016 £	2015 £
Product revenue	4,964,413	6,732,060
Professional services revenue	805,576	755,198
	<u>5,769,989</u>	<u>7,487,258</u>

Analysis of turnover by country of destination:

	2016 £	2015 £
Europe, excluding the United Kingdom	1,373,520	1,782,308
Rest of the world	4,396,469	5,704,950
	<u>5,769,989</u>	<u>7,487,258</u>

5. Operating profit

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

	2016 £	2015 £
Operating lease payments	14,431	22,199
Depreciation of tangible fixed assets	538	5,688
Exchange differences	(359,953)	228
	<u>(359,953)</u>	<u>228</u>

The audit fee is borne by another Microsoft group entity.

TouchType Mobile Limited

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

6. Employees

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	56,759	205,051
Social security costs	4,994	11,889
	<u>61,753</u>	<u>216,940</u>

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

	2016 No.	2015 No.
Product development	1	2
Sales, marketing and product management	-	1
	<u>1</u>	<u>3</u>

7. Directors' remuneration

No director received any emoluments during the current year (2015 - £Nil).

8. Interest receivable and similar income

	2016 £	2015 £
Interest receivable from group companies	74,300	-
Other interest receivable	13	50
	<u>74,313</u>	<u>50</u>

TouchType Mobile Limited

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

9. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	1,104,322	218,906
Double taxation relief	-	(218,906)
	<u>1,104,322</u>	<u>-</u>
Foreign tax		
Foreign tax on income for the year	262,661	250,478
Foreign tax in respect of prior periods	393	2,811
	<u>263,054</u>	<u>253,289</u>
Total current tax	<u><u>1,367,376</u></u>	<u><u>253,289</u></u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>5,517,295</u>	<u>3,986,319</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	1,103,459	807,230
Effects of:		
Expenses not deductible for tax purposes	193	1,614
Capital allowances for year in excess of depreciation	-	31,510
Adjustment in respect of previous periods	393	2,811
Foreign tax expense in excess of double tax relief	262,661	-
Other differences leading to an increase in the tax charge	114	822
Group relief	-	(590,698)
Deferred tax not recognised	556	-
Total tax charge for the year	<u><u>1,367,376</u></u>	<u><u>253,289</u></u>

TouchType Mobile Limited

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

10. Debtors: Amounts falling due within one year

	2016 £	2015 £
Trade debtors	-	112,887
Amounts owed by group undertakings	14,950,951	15,229,499
Other debtors	161,557	150,860
Prepayments and accrued income	-	147,245
	<u>15,112,508</u>	<u>15,640,491</u>

The impairment loss recognised in the profit or loss for the year in respect of bad and doubtful trade debtors was £Nil (2015 - £Nil).

11. Creditors: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	-	4,802
Corporation tax	1,104,712	-
Other taxation and social security	-	4,780
Accruals and deferred income	2,263,970	3,815,078
	<u>3,368,682</u>	<u>3,824,660</u>

12. Share capital

	2016 £	2015 £
Allotted, called up and fully paid		
1 ordinary share of £1	<u>1</u>	<u>1</u>

13. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Profit and loss account

The profit and loss account represents cumulative profit or losses, net of dividends paid and other adjustments.

TouchType Mobile Limited

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

14. Commitments under operating leases

At 31 December 2016 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	-	4,642

15. Related party transactions

In accordance with Section 33.1A of FRS 102 the company has taken advantage of the exemption available to 100% subsidiaries not to disclose transactions and balances within the group, as this company is included in publicly available consolidated accounts.

16. Controlling party

The immediate parent company is TouchType Limited, incorporated in England and Wales, and the ultimate parent company is Microsoft Corporation, incorporated in the State of Washington, United States of America.

The smallest group in which the results of the company are consolidated is that headed by Microsoft International Holdings BV. The largest group in which the results of the company are consolidated is that headed by Microsoft Corporation. These consolidated accounts are available to the public and can be obtained by contacting Microsoft Investor Relations.