ARRIA

ARRIA NLG plc

Annual Report and Financial Statements
for the Year Ended 30 September 2014

Company number 07812686

NATURAL LANGUAGE GENERATION

CONTENTS

	Page
Company Information	2
Strategic Report	3
• Chairman's Letter	3
Directors' Report	15
Independent Auditors' Report	20
Consolidated Statement of Comprehensive Income	23
Consolidated Statement of Financial Position	24
Company Statement of Financial Position	25
Consolidated Statement of Changes in Equity	26
Company Statement of Changes in Equity	27
Consolidated Statement of Cash Flows	28
Company Statement of Cash Flows	29
Notes to the Financial Statements	30

COMPANY INFORMATION

Directors	Stuart Rogers Simon Small Wayne Thornhill Paul Kidney Michael Higgins
Company Secretary and Registered Office	Thomas Makeig Space One 1 Beadon Road Hammersmith London W6 0EA
Company Number	Registered in England and Wales number 07812686
Independent Auditor	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Bankers	HSBC 281 Chiswick High Road London W4 4HJ
Nominated Adviser and Joint Broker	Allenby Capital Limited 3 St Helen's Place London EC3A 6AB
Joint Broker	Westhouse Securities Limited 110 Bishopsgate London EC2N 4AY
Solicitors	Travers Smith LLP 10 Snow Hill London EC1A 2AL
Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA

STRATEGIC REPORT

The Directors present their Strategic Report on the affairs of ARRIA NLG plc (the Company) and its subsidiaries, referred to as the Group for the year ended 30 September 2014.

CHAIRMAN'S LETTER

Arria has been a public company for just over one year, and I would like to begin by thanking the many people who contributed to making this last year such a period of great commercial progress. I would like to thank our shareholders, all of our staff that make up our incredibly talented Arria team, our clients whom we serve, the partners who add so much strength to our efforts, and our Board. Arria has made excellent progress as a business this past year: we have strengthened our relationships with existing clients, gained new clients and strengthened both the Arria team and our highly supportive Board. We have made significant investments in developing the Science of Natural Language Generation ("NLG"), delivering on NLG's significant potential in a commercial setting, and in the protection of our core Intellectual Property.

Natural Language Generation is all about taking data and turning it into written or spoken language. We believe that this is indisputably the best way to provide actionable analytics. It's how we as a species have communicated information and calls-to-action for tens of thousands of years. It's a finely honed device that evolves as we evolve, and it marks us out from other species. It's the best means by which we answer the requests 'Tell me what I need to know' and 'Tell me what I should do'. Bringing this valuable and innovative capability to other businesses is at the heart of Arria's primary mission to become the global leader in the development and deployment of mission critical, core industrial, enterprise level natural language generation software technologies.

The essence of this unique capability has now been distilled down into our software. Based on decades of research into language and linguistics, Arria's NLG Engine is able to take data, analyse it for the insights it contains, and present those insights in language that you would believe had been written by a human expert in their field.

Arria's NLG technology is valuable to businesses and to our clients because it allows them to take valuable time and costs out of their processes and operations, to capture and more effectively utilize their scarce internal expert knowledge, and to communicate actionable insights throughout the firm and around the globe via language rather than through charts and graphs that require further interpretation.

Business Model

Arria is focused on a select number of core industry verticals, including oil and gas and financial services. Arria's clients pay to develop its technology through industry-specific commercial applications, to license its NLG Engine, and to license the specific applications on an annual on-going basis.

Over the course of the past year, our primary commercial relationship in oil and gas was expanded in scope, duration and financial value, and our commercial success now expands beyond oil and gas to encompass financial services, agriculture and aviation. Albeit from a low base, our client roster has more than doubled in the last 12 months and we expect this rate of progress to increase further in the coming year. Accelerating commerial program, a more diverse client base; it all adds up to a growing success.

The Wider Opportunity for NLG

NLG is a powerful analytical communication tool which is applicable to a vast number and variety of commercial, industrial and consumer applications. With the growth of Big Data and the increasing lack of human resources to make sense of data in a timely fashion, our vision is that Arria's NLG software becomes a ubiquitous part of the overall fabric of technology and of the internet of things. In order to achieve this vision and become ubiquitous, Arria's software needs to be embedded in the systems that control and report on the operation of our technology, it would ship with other packaged software to enrich their communication facilities, and it would ship with industrial hardware. Arria's NLG software would be pre-installed as a narrative layer in personal, household and industrial devices (Smartphones, televisions, Smart-meters). And packaged Arria NLG software appliances would be developed that perform specific narrative tasks in industrial and commercial settings. These would be written by Arria or by other software firms having licensed our development toolkit.

STRATEGIC REPORT continued

CHAIRMAN’S LETTER continued

Commercial Progress

Oil & Gas

Late in 2013 Arria announced that it had agreed with Shell Exploration and Production Company (“Shell”) to extend its current one year agreement on a month by month basis until a new, longer-term, more expansive agreement was put in place.

A new, three year agreement was signed with Shell in May 2014. This provides Arria with annual fees for non-exclusive use of the Arria NLG Engine to expand NLG decision support technologies to Shell’s offshore platforms across parts of the Americas, plus the adoption of our services expanding from existing Facilities NLG narratives to further service categories in upstream operations across parts of the Americas. A large proportion of these fees are annual and ongoing base license and use-per-platform fees for Facilities NLG narratives to offshore platforms in parts of the Americas. One-time configuration and deployment fees payable upon agreed milestones are also included in the agreement, and the fee structure makes provision for deployment and usage beyond the Americas.

This was an important milestone for the Company because it provided a clear validation of the software’s viability and ability to operate in a highly complex, mission critical operating environment in a large global corporation.

As the new Shell agreement was being put in place, Arria was invited to present at the Saudi Arabia section of the Society of Petroleum Engineers (“SPE”) reception in Al Khobar, Saudi Arabia on 25 March 2014. Arria was the sole presenter at SPE’s special event entitled “Making Machines Articulate”, revealing more about Natural Language Generation technologies to a Middle East audience. Arria’s Chief Strategy Scientist and Chief Technology Officer, Dr. Robert Dale explained how engineers can use Arria’s NLG Engine to enhance decision support in operational environments.

At the SPE conference in Utrecht, Professor Ehud Reiter, Arria’s Chief Scientist, gave a very well received presentation in a panel session called “Learning From Others: Are We Unique?”. He and Arria Executive Director Simon Small participated along with senior representatives from IBM, Accenture, Chevron and Total.

The platform afforded to Arria at these conferences has accelerated our business development opportunities significantly for both Natural Language Generation as a concept and Arria NLG as a leader in this field.

To further strengthen our sales reach in the oil and gas industry, we hired John Bell as Senior Vice President – Business Development, based in Arria’s London Office. His primary focus is growing sales of Arria’s NLG software solutions in the oil and gas industry. John has more than 15 years’ experience working in selling oil and gas infrastructure software solutions, and with Oracle, he spent five years in Dubai as Middle East Regional Director.

Financial Services

In February, Arria strengthened its sales team in the financial services sector with the appointment of Christopher Messina as Senior Vice President, Business Development. Mr. Messina has strong, international experience in capital markets, private equity and financial technology. He comes to Arria after being CEO and Co-Founder of RPA Capital, LLC, a New York and Bermuda-based alternative asset management firm focused on private credit and physical commodity trading. He has worked in the USA, Africa, Europe, Australia, and the Middle East.

Arria’s first global contract in the financial services industry was signed in August 2014, a preliminary collaboration project agreement with a major global banking and financial services company. Successful completion and acceptance of the pilot NLG application could lead to further development, deployment and licensing agreements and new revenue streams for Arria.

STRATEGIC REPORT continued

CHAIRMAN'S LETTER continued

Meteorology

During 2014 we further expanded our relationship with the UK Met Office which is now offering Arria's NLG-generated weather forecast narratives on its Met Invent website. The forecasts, currently available for any of 5,000 geographic points in the United Kingdom, can be viewed at:

http://www.metoffice.gov.uk/public/weather/forecast-data2text

Arria has been working closely with the Met Office since 2009 to utilize the power of Arria's NLG technologies to write on-demand, site-specific weather forecasts for use by the public. In a recent release on its Met Invent website, the Met Office added NLG-authored narratives to its 5-day forecasts, combining them with the familiar graphic presentation of weather data with NLG-authored narratives for the first time. Further expansion to provide NLG-authored forecasts for thousands or millions more specific sites in the UK and worldwide is possible. This greatly increased level of text forecasting granularity would be virtually impossible using human-authored forecasts. The Arria and Met Office science teams continue to collaborate on the automation of weather reporting.

Sales Success

Post the period end, we have announced two further contracts, one in aviation and the other in US agriculture.

The first contract was a new collaborative proof of concept agreement with a leading provider of power systems controls intelligence to the aviation industry. The agreement provides for a pilot application to use Arria's NLG technology for narrative summaries on the data generated by on-wing turbine engines. These data driven summaries will enable airline operations teams to further optimise their maintenance or refurbishment of jet engines. The project should result in the more efficient handling of the vast amounts of inflight engine performance data, enabling the maintenance programs to be conducted with greater efficiency and at a lower cost for both the service provider and the airline operators. Successful completion and acceptance of the pilot NLG application could lead to further development, deployment and licensing agreements and new revenue streams for Arria.

The second contract was a new framework development agreement with FarmLink, LLC. This provides for a new application to use NLG technology for narrative summaries on FarmLink's TrueHarvest data. These narrative reports will help FarmLink's farmer clients and their agronomic advisors identify, analyse and optimise field potential. FarmLink data scientists use more than 800 million micro-fields, or 150-square-foot areas, made up of many variables across weather, soil, topography and more. This establishes a data set of more than 600 billion data elements from millions of acres, which is used to benchmark the performance range for every corn, soybean and wheat field in the United States. Arria's reporting application will take this information and deliver agronomic insights in natural language reporting. FarmLink will pay Arria for application scoping, implementation and deployment. Fees for annual licensing and other business terms have yet to be finalised.

Technology

Arria NLG Engine

The Arria NLG Engine provides a powerful and flexible software architecture, one that has been refined through the many decades of collective experience that our scientists and engineers have acquired in building rich NLG applications in a variety of domains. Today, data is everywhere. Every computer system and every piece of technology is capable of producing vast amounts of data, from the humblest personal fitness device that counts your steps to the massive engines on modern passenger airliners that send constant streams of performance data from multiple sensors back to base for real time monitoring. Major corporations in every information-based industry, from finance through telecom providers to search engine giants, rely on endless streams of transactional data to serve as their lifeblood.

STRATEGIC REPORT continued

CHAIRMAN’S LETTER continued

This ever growing avalanche of data is a good thing for Arria. It opens up massive potential for diagnosis, performance improvement, or any of a wide range of other purposes that have a direct impact on the bottom line. The data can help us solve problems. But here’s the paradox: the data itself has become a problem because there is so much of it. As is now so often acknowledged in the technical press, we are drowning in data, buried so deep that we can’t make sense of the data that is being fed to us.

In fact, the problem is not really the data itself. The real problem is a shortage of the expertise required to make sense of the data and to communicate the meaning of that data to those who need to act.

This problem is widespread: numerous studies across a variety of industries have bemoaned the acute shortfall in human resources with the relevant expertise that prevents us carrying out analysis of data and delivering the actionable intelligence that it contains.

To make use of the raw data being provided to us by these myriad sources, there are two things we have to do. First, we have to analyse the data to extract useful information and insights from it. Second, we have to communicate that information and insights to those who need to act upon it, in terms that they can understand. Put simply, we have to tell the data’s story.

This is what a human analyst does, and – up until now – it has only been human analysts who have been able to do this. But now the same skills can be embodied in software. This is what the Arria NLG Engine does. It is extraordinarily well suited to extracting value from Big Data and to reducing time and cost from business processes.

In January 2014 we successfully deployed version 3.0 of the Arria NLG Engine. This latest version includes annotated graphs which have the ability to integrate graphical information derived from big data sources with the existing NLG reporting capabilities to provide even more effective decision-support. Annotated graphs provide NLG narrative text boxes that open up at critical/interesting points on a graph to offer deeper insights, via language, to the graph’s interpretation and meaning.

NLG Studio

The first stage completion of the NLG Studio after two years work represents another significant technical milestone for the Company. The NLG Studio provides even novice developers with the ability to build highly effective NLG systems swiftly using standard XML tools. The speed with which Arria can now develop solutions in response to use case requests from clients has shifted from months to days. Projects that would have taken six months to complete can now be finished in one or two. The potential in terms of billing cycles and sales pipeline management is clear. Our sales teams can now speak to many more leads simultaneously, and even offer quickly deployed proof of concept projects to speed up our sales cycles. The NLG Studio will continue to be developed and will constitute the core tool set in all our development going forward. In addition to the positive impact potential on our production cycles in the short term, there is also a recognised potential for revenue from licensing use of the NLG Studio in the longer term.

Intellectual Property

Arria is, in part, an IP-driven business, where shareholder value is created by patenting and protecting our unique IP and future value may be realized through the management of our growing IP portfolio.

As we work to extend Arria’s installed base of solutions for the management of large data sets, we continue to build the Group’s patent portfolio through prosecution of existing patent applications and the filing of new ones covering a range of innovations in Big Data management through Natural Language Generation. We received two patents with the issuance on 24 June 2014 of: Method And Apparatus For Alert Validation (US Patent No. 8,762,133) and Method And Apparatus For Situational Analysis Text Generation (US Patent No. 8,762,134). These patents extend Arria’s intellectual property portfolio to cover recent work of Arria Chief Scientist Ehud Reiter and his colleagues at Arria Data2Text Limited, Arria’s wholly owned subsidiary.

STRATEGIC REPORT continued

CHAIRMAN'S LETTER continued

Corporate Governance

Strengthening the Board

Two Non-Executive Directors joined the Board in late 2013, Michael Higgins and Paul Kidney. Given their backgrounds and experience, both are strong additions to the Board. Michael Higgins chairs the Audit Committee and Paul Kidney chairs the Remuneration Committee.

Admission to AIM

On 5 December 2013, Arria's Ordinary shares and Warrants began to trade on the London Stock Exchange AIM market under the symbol NLG.

Commercial Outlook

The NLG Engine has a very wide set of potential use cases, and we continue to maintain a tight focus on our market potential. As a team, we have refined and tested the definitions of our market potential, and determined where we are most likely to best generate revenues for the lowest cost.

There are a number of critical characteristics that we use to determine where, in the short term, to allocate resources in pursuit of revenue for our product:

1. We seek industries that have an acknowledged Big Data problem. We surveyed a variety of industry sources, including contemporary reports by such institutions as Gartner, Forrester and McKinsey, to rank which industries generate the most data and hold the most potential in the idle structured datasets that result.
2. We seek industries that have the potential to pay for developmental work. Our NLG product has a wide range of uses, without yet being a plug-and-play device. As with many early-stage technologies, we seek to incubate our development within large, well-funded project streams who can invest beyond 'off-the-shelf'.
3. We seek industries that have, at their core, a demand for return on technology investment. If an industry already relies on the application of new technology to improve its returns to shareholders, they will have systems to evaluate and then engage with new technologies such as ours.

Our qualification work has led us to assign resource to developing the following verticals: oil and gas – with an extension into mining and extraction; and financial services – with a focus on institutions such as global banks, clearing houses and exchanges. This does not mean that we will not be offering solutions in other areas, but that our most immediate focus is on these in particular.

As the year progressed and looking forward into the coming year we started meeting with prospects in the following verticals: information technology and telecommunications (IT&T); power generation; and mineral extraction.

Expanding the Product and Our Offering

Over the coming years, we will be responding to our clients' needs in these sectors with ever improving products. Given the power of the Company's NLG Studio toolset to rapidly develop applications, we are exploring the development of specific packaged stand-alone solutions to address specific industry needs. Such packaged solutions would require minimal configuration, and would plug into widely used third party database, data analytics and operational software platforms. Indeed, the prospect of working with and distributing NLG solutions through large third party software and business process vendors is a highly promising addition to Arria's sales strategy.

STRATEGIC REPORT continued

CHAIRMAN'S LETTER continued

Information Delivery

Our technology helps people and enterprises understand data. The Directors believe there is currently no market category that corresponds directly to this function. Business intelligence comes close, but our potential impact is broader; so we have an opportunity to define a new market category, which we will call 'information delivery', although other names are possible.

If the amount of data being produced is constantly increasing, it seems unlikely that the demand for tools that help explain that data will diminish.

We believe that there are few industry verticals that will not be impacted in one way or another by the internet of things and the consequent availability of large quantities of data that need explanation.

Taken as a whole, these factors are highly favorable and supportive of Arria's continued progress. These factors support our revenue growth, by expanding within current key industry verticals, expanding beyond these verticals, through partnerships with other third-party solutions providers, and via packaged solutions that expand Arria's reach to a broader spectrum of clients.

Core Values

To ensure long-term success and to create a sustainable business, Arria continues to operate under a set of core principles that have been established over the course of the last few years:

- we will serve the needs of our clients by developing and deploying software solutions based on listening to their ideas, needs and aspirations;
- we will attract and retain the best possible team of staff over time;
- we will invest in our science and in the best practices of developing and testing innovative software solutions;
- we will treat people ethically and with respect;
- we will establish NLG as a mainstream solution in our core industries and strive to establish its ubiquity.

In a recent McKinsey report, "Game Changers: Five Opportunities for US Growth and Renewal" (July 2013), McKinsey puts forth five areas that represent significant growth potential in the US: Energy, Trade, Big Data, Infrastructure and Talent. It is significant that Arria has substantial potential to grow by applying our technology, not just in the realm of Big Data, but in all five of these key industry segments around the globe.

Financials

Turnover for the year was £787,000 (year ended 30 September 2013: £816,000). This was predominantly attributable to the Company's contract with its oil and gas client. During the current year the Group completed a successful private placement fund raise of US$15.8 million (c. £9.85 million) through the issue of Ordinary shares. These funds have been used to fund the acquisition of Arria Data2Text Limited (formerly Data2Text Limited), the development of the Arria NLG Engine, costs of securing a public listing of the Company's shares, marketing of the Group's services to potential new clients and expanding the Group's portfolio of patent applications. As a result of these heavy investments in the development of the Group's business, The Company reported a loss before tax of £10.9 million (2013: loss before tax – £13.0 million), which reflects the continued heavy development in the Group's business plan. On 30 September 2014 the Company concluded a convertible loan with an existing shareholder, Ikonic Fund, for GBP£3.08 million. As we continue to invest in our technology and commercial relationships, we will seek to raise additional capital in 2015 as appropriate opportunities arise.

STRATEGIC REPORT

CHAIRMAN'S LETTER continued

Summary

As we look back over the accomplishments of the past year, we recognize how far we have progressed, and how well the Company is positioned for accelerated growth. The convergence of Big Data, scarce analytical resources, and the inability for many industries to continue their growth trajectories on the back of human capital alone, represents the predominant opportunity, and the core focus where Arria is building its business and extending its technology today and into the future. The vast challenges of all of the data created and captured by significant industries will continue to drive company agendas and budgets, and Arria is there to help turn those challenges into articulate analytical solutions.

Stuart Rogers
Chairman and CEO

STRATEGIC REPORT continued

Principal Activities

The principal activities of the Company and the Group are the development of intellectual property in the form of software and software as a service and the sale of those services to its clients.

On 7 November 2013 the Company re-registered as a public limited company and changed its name from ARRIA NLG Limited to ARRIA NLG plc.

On 5 December 2013 the Company completed the introduction of its Ordinary shares and Warrants to trading on the London Stock Exchange AIM Market ("AIM").

Business Description

Arria is a software development business. Our goal is to be the global leader in the development and deployment of mission critical, core industrial, enterprise level natural language generation software technologies.

The Group's core product is known as the Arria NLG Engine. Global corporations are having to deal with an ever-growing amount of data resulting from the digitisation of transactions and industrial processes and from technological advancements in data capture. Computer networks are now producing and storing digital data at such a rate that this data is becoming increasingly difficult to be fully utilised. This development and the challenge to make optimal use of this data has become known as "Big Data".

The market opportunity for the Arria NLG Engine has grown substantially through the emergence of the Big Data phenomenon.

Natural language generation (or NLG) is the computerised process of analysing and converting Big Data into actionable information. The Arria NLG Engine is a form of artificial intelligence, specialised in communicating information which is extracted from complex data sources in natural language (i.e. as if written by a human).

The Arria NLG Engine comprises of two main elements:

- a language-driven analytics side that is programmed to embody the expert knowledge of the domain in which it operates; and
- a natural language generation side, which embodies the skill required to communicate information articulately using natural language.

This combination of analytics and natural language generation means it can be used to automatically generate written reports in potentially any language for any audience that reads as if written by an expert in the field. The Directors believe that the Arria NLG Engine provides value where many Big Data analytical tools are limited at the human-machine interface, being the point at which analytic results are communicated to humans. The Arria NLG Engine automatically communicates results, not in numbers or graphics that may require further analysis and explanation, but in narratives that are designed to read as if written by a human expert.

The scientific foundation for the Arria NLG Engine is a specific and significant differentiator for the Group and is based on decades of research and development and knowledge gained by the Arria Data2Text founders at the University of Aberdeen and elsewhere. The Group's experts in artificial intelligence and computational linguistics between them have over 70 years' experience modeling the processes involved in language production and have simulated key aspects of these processes in the Arria NLG Engine. In the current year we successfully launched the Arria NLG Engine 3.0 which represented a major milestone in the development of the offering leveraging a growing toolkit to significantly speed up and shorten development times creating exciting opportunities to deliver more projects more quickly.

STRATEGIC REPORT continued

Knowledge capture

The Arria NLG Engine can be programmed to:

- incorporate an expert's knowledge as to what is important about the data;
- incorporate the reasoning processes which an expert would use in analysing the data;
- enable the "best practice" knowledge of an organisation's most experienced experts to be permanently captured in the software, allowing the most efficient use of its scarce resources of expertise and avoiding knowledge loss when staff leave;
- improve quality control by standardising analytic and reporting practice;
- automate complex processes allowing corporations to reduce time and cost from those processes;
- enable the knowledge of expert resources at the centre of an organisation to be distributed to the operational edges of the organisation; and
- reduce the effects of expert down-time.

Analysis

A key objective of Big Data analytics is to enable plain English narratives to be formed which can be used by people to make better decisions and to work more efficiently, adding value to business. Today, this process of producing what is known as "actionable analytics" still depends on intervention by human experts. The shortage of such human experts is a significant limitation on releasing the value locked within Big Data. The Arria NLG Engine has the potential to unlock that value by effectively undertaking the expert's role.

Communication

The Arria NLG Engine can automatically communicate its conclusions in actionable plain English narratives which one would believe were written by an expert member of the organisation's staff. The Arria NLG Engine is a force multiplier, since, once embodied in software, the expert knowledge can be replicated effectively. This allows the Arria NLG Engine to do the work of many experts, 24 hours a day, seven days a week, 365 days a year.

Strategy

The Group's objective is to be the global leader in the development and deployment of mission critical, core industrial, enterprise level analysis and natural language reporting on large data sets. There are many potential uses for the Arria NLG Engine across a wide variety of industry verticals. The Group's focus is placed on those sectors that the Directors believe offer strong opportunities to generate revenue from both Arria NLG Engine licenses and professional services development work, including oil and gas, financial services, healthcare and meteorology. Specifically, the industry verticals of oil and gas and financial services are regarded by the Company as promising targets for early adopters of NLG technology. Both verticals exhibit maturity in the fields of analytical decision support and Big Data analytics. These verticals, therefore, currently form the main targets for sales activity and are likely to do so for the short-to-medium term.

To best leverage expertise in the near-to-medium term, the Group's sales team will seek additional customers that exhibit a similar operational profile as existing customers. Neither of the Group's customers has exclusivity in its business vertical and the Group intends to maintain this position.

Key performance indicators

The Group continued to incur losses as it delivered the key developments set out below and continued the successful execution of its strategic plan. The Group continues to be able to attract funding as evidenced by the successful completion of two private placements in 2013 that raised in aggregate approximately US$20.2 million, the subsequent public listing of the Company's Ordinary shares and Warrants on the London Stock Exchange's AIM Market, and most recently by the completion of a subscription agreement for

STRATEGIC REPORT continued

£3.08 million (approximately) US$5.0 million of convertible debt. The Directors remain confident in the Group's ability to attract and secure additional funding in the future on favourable terms, and in the Group's future prospects.

Revenues in the year were £787,000 (2013: £816,000), and whilst this represented a fall of 3.7% when compared to prior year the underlying size, scope and scale of the contract supporting the bulk of those revenues increased significantly from a single period contract with a value of £1.1 million to a three year contract with a minimum estimated value of between £3.1 million and £6.2 million.

Average net operating costs over the year, excluding depreciation, amortization, share based payment charges, non-recurring professional fees and other transactional costs, were approximately £462,000 per month (2013: £500,000), reducing to approximately £404,000 in the final quarter of the financial year (2013 Q4: £480,000). The Directors believe this level of operating cost to be commensurate with securing the opportunity at hand and supporting the Group's customers' stated plans. The reduction in average operating costs has been achieved at the same time as increasing both the productive and business development capacity of the Group. Headcount (including Consultants) increased from 52 at September 2013 to 56 at September 2014 reflecting greater investment in sales and delivery/development teams. Average head count over the year increased from 32 to 41. Average cost per employee including consultants fell by 12% to £84,799 (2013: £96,758), and this reduction in average cost per employee is expected to continue into 2015.

Key developments in the year to 30 September 2014 included the following:

- Concluding binding agreements to acquire the 80% of Arria Data2Text Limited (formerly Data2Text Limited) that Arria did not own in October 2013;
- Completing the introduction of Arria's Ordinary shares and Warrants to trading on the AIM Market of the London Stock Exchange on 5 December 2013;
- Extending and expanding existing agreement with oil & gas super-major client into 2014 with the announcement of a new three year agreement for non-exclusive use of Arria's NLG Engine to offshore platforms across parts of the Americas and extending existing Facilities NLG narratives to further service categories;
- UK Met Office adding NLG-authored narratives to its 5 day forecast on its Met Invent website;
- Signing a preliminary collaboration project agreement with a global banking and financial services client;
- Being awarded two foundational US patents: Method And Apparatus For Alert Validation, and Method And Apparatus For Situational Analysis Text Generation;
- Successfully concluding a £3.08 million (US$5.0 million) subscription agreement for convertible debt;
- Continuing to invest in the further development of and protection of the Groups' intellectual property portfolio;
- Continuing significant forward momentum with Arria Data2Text Limited's (formerly Data2Text Limited) existing client base, and working to fill the prospect pipeline in the oil and gas, financial services, and healthcare sectors; and
- Strengthening the Group Board of Directors and senior management team:
  - Michael Higgins and Paul Kidney appointed as Non-Executive Directors to Arria's Board
  - Christopher Messina appointed as Senior Vice President Business Development to expand Arria's Financial Services practice
  - John Bell appointed as Senior Vice-President Business Development to strengthen and expand Arria's existing oil and gas practice.

STRATEGIC REPORT continued

Research and Development

The Group is committed to the research, design and development of product enhancements and additional features as required by the market.

Future Outlook

The Directors believe that the prospects for the Group are brighter now than ever before. Negotiations continue with existing and prospective clients to expand the scope of our relationships which the Directors expect to result in deeper and longer engagements. The Company's sales pipeline continues to strengthen in depth and reach as evidenced by the recent announcements of new client activity with globally renowned corporations in the financial services and aviation sectors. The Directors believe that the platform offered by a public offering of the Company's stock positions the Group to succeed in the coming months and years in delivering its vision to be the global leader in the development and deployment of mission critical, core industrial, enterprise level natural language generation ("NLG") software technologies. The Directors believe that the platform afforded to the Company of its public company status will facilitate the fund raising activities of the Company as it continues to use equity funding to support the delivery of its strategic plan in the period through to achieving cash flow break even and sustainable profitability. The impact of the debut of Natural Language Generation as a key note concept at the 2013 Society of Petroleum Engineers Intelligent Energy Conference meanwhile has put Arria and Natural Language Generation firmly on the radar of senior oil and gas executives across the industry.

Principal Risks and Uncertainties

The Group's objectives, policies and processes for measuring and managing risk in respect of financial instruments are described in note 22. The principal risks and uncertainties to which the Group is exposed include:

Technological evolution

The market for software solutions is characterised by continued evolution in technology, evolving industry standards, changes in customer needs, heavy competition and frequent new product introductions. As such the Group will require significant investment of resources in its software and services to ensure that the fast changing needs of its target markets are met. If the Group is unable to anticipate changes in technology and customer requirements, or fails to develop and introduce its software and services on a timely basis, it may have an adverse impact on the Group's business and prospects. There can be no assurance that the Group will have sufficient resources to make such investments. Furthermore, if any technical or other difficulties that could delay the introduction of new technologies or enhancements are encountered, further investment may be required to ensure the desirability of the Group's software and services to customers.

Dependence on existing management team and ability to attract new key employees

The Group's ability to perform and achieve its business objectives is substantively dependent upon the performance of its Directors, officers, employees (including its software engineers and NLG scientists) and consultants and their ability to implement the Group's business plan. The Group's business, results of operations and financial condition may be adversely affected if the services of any combination of these individuals cease to be available to the Group. The continued service of any key person cannot be guaranteed and not all of the Group's key personnel are bound by fixed-term employment or consulting agreements. Attracting, training, retaining and motivating technical and managerial personnel, including individuals with significant technical expertise and experience in software development, integration, installation, support and maintenance services, is a critical component of the future success of the Group's business. Competition for qualified technical personnel is intense and is likely to remain so for the foreseeable future. Accordingly, the Group may encounter difficulties in attracting or retaining qualified personnel. Continued growth could therefore cause a significant strain on existing personnel resources.

STRATEGIC REPORT continued

Competition and market development

The Group operates in a competitive market with many of its potential competitors being much larger companies with significant financial resources, such as IBM, Microsoft, Oracle and SAP, and as a result of this, the Group faces competitive pressure. Such pressure and new entrants to the market could result in an adverse impact on the Group's financial performance. Further, if the market for the Group's products and services does not continue to develop as it expects or if it fails to respond to market and competitive developments the Group's business and prospects could be materially adversely affected.

New companies introducing innovative technologies welcome some competition, which helps create a competitive market, but there is a risk that a rival could achieve dominance at the Group's expense.

The Directors are unaware of any other NLG solutions that involve the level of technical sophistication present in the Group's solutions. Simpler systems are available but their limitations may impact their breadth of applicability. The Directors are aware of the potential for competing products to draw new entrants to the field and for secret research efforts to be revealed in the form of new products by established companies. At any time, formidable competitive challenges to the Group in the NLG field might be offered by the most established players in the global software marketplace, or by new entrants.

Dependence on equity and debt financing

The Company has been established, its acquisitions made and arranged and the Group's personnel recruited on the basis of limited contracts and grants, loans and private equity investments. The Company is dependent on investors to fund its operations, and this dependence is expected to continue for several years to come.

Key customer

The Group is currently dependent on one key customer. The Group's initial contract with this key customer terminated on 31 December 2013 and in May 2014, the Company's wholly owned subsidiary Arria Data2Text Limited (formerly Data2Text Limited) concluded the renegotiation of its existing principle commercial relationship with its oil and gas super major client, Shell Exploration and Production Company ("Shell"), a US subsidiary of Royal Dutch Shell plc. This agreement provides Arria with annual fees for non-exclusive use of the Arria NLG Engine to expand NLG decision support technologies to Shell's offshore platforms across parts of the Americas, plus the adoption of Arria's NLG services expanding from existing Facilities NLG narratives to further service categories in upstream operations across parts of the Americas. Upon full performance of the agreement, which is effective from 1 June 2014, Shell undertakes to pay Arria US$5-10 million over three years. A large proportion of these fees are annual and on-going base licence and use-per-platform fees for Facilities NLG narratives to offshore platforms in parts of the Americas. One-time configuration and deployment fees payable upon agreed milestones are also included in the agreement, and the fee structure makes provision for deployment and usage beyond the Americas.

This Strategic Report was approved by the Board of Directors on 11 December 2014

Stuart Rogers
Chairman and CEO

DIRECTORS' REPORT

The Directors present their report and the audited consolidated Financial Statements for the year ended 30 September 2014.

Future Developments

Future Developments are discussed within the Strategic report on page 13 .

Going Concern

At the balance sheet date, the group had net assets of £23.5 million, including net cash of £1.7 million. The Group made a loss before tax of £10.9 million and expects to continue to make losses in the near term as it invests in developing new markets for its products and secures its position in commercialising Natural Language Generation. In the medium term, the focus will be on growing revenues in order to achieve profitability and positive cash flows.

Since the balance sheet date, £1.2 million has been drawn down from the £3.08 million convertible debt facility signed on 30 September 2014 (refer to note 17).

The Directors have prepared a business plan and cash flow forecast for the period to 30 June 2016. The forecast contains certain assumptions about future sales, the gross margins achievable and the level of other operating expenses. In addition to this business plan, the Directors have considered various downside sensitivities and management actions that could be undertaken to ensure the ongoing operation of the Group. The Group is in the process of seeking further fundraising in the form of equity or convertible debt to provide adequate working capital to support the commercialisation of Natural Language Generation and enable the Group and Company to continue as a going concern. At the time of approving these financial statements, the Directors have held preliminary discussions with existing and prospective shareholders and lenders. The extent and frequency of funding required will depend on the speed and quantum with which the Group secures additional profitable revenue growth. The Directors are confident of securing sufficient additional funding within the next financial year, for its near term requirements. Should negotiations prove unsuccessful, the Group and Company would be unable to meet their debts as they fall due in the foreseeable future.

The Directors have concluded that pending successful agreement of additional funding there exists a material uncertainty which may cast significant doubt over the ability of the Group and Company to continue as a going concern. Having reviewed the business plan and subject to the uncertainties described above, the Directors have a reasonable expectation that the Group and Company will have adequate resources to continue operating for the foreseeable future. Therefore, the Directors continue to adopt the going concern basis in preparing the financial statements and these do not include adjustments that would result if the Group and Company were unable to continue as a going concern.

Research and Development

Research and Development activities are discussed in the Strategic Report on page 13.

Political and Charitable Donations

The were no political or charitable donations in the year (2013: Nil).

Dividends

The Directors do not recommend the payment of a dividend (2013: Nil).

DIRECTORS' REPORT continued

Financial Risk Management

Details of the Company's policies on Financial Risk Management are disclosed in note 22 of the consolidated Financial Statements.

Subsequent Events

Agreement with Farmlink

On 13 October 2014 the Company announced a new framework development agreement with FarmLink, LLC.

The Agreement provides for a new application to use NLG technology for narrative summaries on FarmLink's TrueHarvest data. These narrative reports will help FarmLink's farmer clients and their agronomic advisors identify, analyse and optimise field potential. TrueHarvest is the first and only yield benchmarking service that accurately shows farmers the full range of performance potential for their fields and management zones to help them measure the effectiveness of inputs and other prescriptive farming practices, as well as to make resource allocation decisions. When farmers compare their yield information to the benchmark, a gap map is created that shows the full range of potential performance improvement. Arria's reporting application will take the information used to build the gap map and deliver agronomic insights in natural language reporting.

FarmLink will pay Arria for application scoping, implementation and deployment. The fees for annual licensing and other business terms have yet to be finalized.

FarmLink is a Kansas City, Missouri based company that offers an innovative and unique set of services to help farmers improve productivity and profitability. FarmLink's data science, agronomy and benchmarking experts have developed an innovative pipeline of services, including the TrueHarvest yield benchmarking service, to cost effectively support grower profitability and productivity. Through its TrueHarvest yield benchmarking service, FarmLink partners with farmers and their advisers to provide precise, detailed and actionable comparisons that inform resource decisions, and help increase productivity and profit.

FarmLink data scientists use more than 800 million micro-fields, or 150-square-foot areas, made up of many variables across weather, soil, topography and more. This establishes a data set of more than 600 billion data elements from millions of acres, which is used to the benchmark the performance range for every corn, soybean and wheat field in the United States.

Proof of Concept Agreement with a Leading Systems Provider to the Aviation Industry

On 14 October 2014 the Company announced a new collaborative proof of concept agreement with a leading provider of power systems controls intelligence to the aviation industry (the "POC Agreement").

The POC Agreement provides for a pilot application to use Arria's NLG technology for narrative summaries on the data generated by on-wing turbine engines. These data driven summaries will enable airline operations teams to further optimise their maintenance or refurbishment of jet engines.

The project should result in the more efficient handling of the vast amounts of inflight engine performance data, enabling the maintenance programmes to be conducted with greater efficiency and at a lower cost for both the service provider and the airline operators. Successful completion and acceptance of the pilot NLG application could lead to further development, deployment and licensing agreements and new revenue streams for Arria.

Draw Down of the Loan Funding

On 28 November 2014 the Company received the first tranche of loan funding from Ikonic Fund, future details of which are outlined in note 17.

DIRECTORS' REPORT continued

Directors

The Directors who served the Company during the year and up to the date of this report were as follows:

Executive Directors	*Appointed*	*Resigned*
Simon Small	1 March 2012	
Stuart Rogers	19 June 2012	
Sharon Daniels	19 June 2012	27 March 2014
Wayne Thornhill	13 June 2013	

Non-Executive Directors	*Appointed*
Paul Kidney	14 November 2013
Michael Higgins	14 November 2013

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained during the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Corporate Responsibility

The Board recognises its employment, environmental and health and safety responsibilities. It devotes appropriate resources towards monitoring and improving compliance with existing standards. The Executive Directors have responsibility for these areas at Board level, ensuring that the Group's policies are upheld and providing the necessary resources.

Employees

The Board recognises that the Group's employees are its most important asset.

The Group is committed to achieving equal opportunities and to complying with anti-discrimination legislation. It is established Group policy to offer employees and job applicants the opportunity to benefit from fair employment, without regard to their sex, sexual orientation, marital status, race, religion or belief, age or disability. Employees are encouraged to train and develop their careers.

The Group has continued its policy of informing all employees of matters of concern to them as employees, both in their immediate work situation and in the wider context of the Group's well being. Communication with employees is effected through the Board, the Group's management briefings structure, formal and informal meetings and through the Group's information systems.

DIRECTORS' REPORT continued

Directors' Remuneration

The table below sets out the amounts earned by the Directors in the current year and in the prior year:

GBP£000's	*Salary & Fees*	*Benefits*	*Bonus*	*Share Grant*	*Pension*[2]	*Total remuneration 2014*	*Total remuneration 2013*
Executive							
Stuart Rogers	228	176	–	–	11	415	355
Simon Small	179	2	–	–	9	190	192
Sharon Daniels[1]	136	–	–	–	–	136	139
Wayne Thornhill	170	5	–	–	8	183	362[3]
Bob Craig[1]	–	–	–	–	–	–	148
Non-Executive							
Michael Higgins	26	–	–	–	–	26	–
Paul Kidney	26	–	–	–	–	26	–
Ian Davy	–	–	–	–	–	–	97
James Ogden[1]	–	–	–	–	–	–	260
Ian Cormack	–	–	–	–	–	–	254
Rhoda Phillippo[1]	–	–	–	–	–	–	24
Phil Norman[1]	–	–	–	–	–	–	26
Total	765	183	–	–	28	976	1,857

(1) Services provided through a consultancy arrangement via a service company.
(2) Pension emoluments are actual and accrued contributions for money purchase pension scheme.
(3) Includes fair value of signing on bonus of a share grant of 250,000 Ordinary shares plus a cash bonus to cover the tax liabilities arising out of the issue of those shares.

No options were exercised during the year (2013: Nil).

There was no compensation for loss of office during the year (2013: Nil).

DIRECTORS' REPORT continued

Independent Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office. In accordance with section 489 of the Companies Act 2006, resolutions for their re-appointment and to authorise the Directors to determine the Independent Auditors' remuneration will be proposed at the forthcoming Annual General Meeting.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual 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 prepared the group and parent Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Group and the Company and of the 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union 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 company and 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.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Each Director confirms that, to the best of each person's knowledge and belief:

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware;

(b) he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information; and

The Directors Report was approved by the Board of Directors on 11 December 2014 and signed on its behalf by order of the Board.

Stuart Rogers **Wayne Thornhill**

11 December 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARRIA NLG PLC

Report on the Financial Statements

Our opinion

In our opinion:

- Arria NLG plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 30 September 2014 and of the group's loss and the group's and the company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the group's and company's ability to continue as a going concern. The directors are in the process of fundraising and have held preliminary discussions with existing and prospective shareholders and lenders to provide adequate working capital and should these not be successful, the group and company would not be able to meet its debts as they fall due in the foreseeable future. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and company were unable to continue as a going concern.

What we have audited

Arria NLG plc's financial statements comprise:

- the Consolidated and Company statements of financial position as at 30 September 2014;
- the Consolidated statement of comprehensive income for the year then ended;
- the Consolidated and Company statements of cash flows for the year then ended;
- the Consolidated and Company statements of changes in equity for the year then ended; and
- 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 applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARRIA NLG PLC continued

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not 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 Statement of Directors' Responsibilities set out on page 19, 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) ("ISAs (UK & 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 Chapter 3 of Part 16 of the Companies Act 2006 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 ISAs (UK & 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 group's and 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARRIA NLG PLC continued

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 and Financial Statements 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.

Simon O'Brien (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

11 December 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Note	*Year ended 30 September 2014 (£000's)*	*Year ended 30 September 2013 (£000's)*
Revenue	3	787	816
Cost of sales		(655)	(139)
Gross profit		132	677
Administrative expenses			
– Share-based payments	6	(47)	(1,113)
– Amortisation of intangibles	12	(2,762)	(3,119)
– Impairment of intangibles	12	(1,653)	–
– Other administrative costs	4	(6,607)	(9,441)
Total administrative expenses		(11,069)	(13,673)
Operating loss	4	(10,937)	(12,996)
Finance income	7	24	1
Finance expense	8	(2)	(17)
Loss before tax		(10,915)	(13,012)
Taxation credit	9	305	587
Loss for the year		(10,610)	(12,425)
Other comprehensive income		–	–
Total comprehensive loss for the year		(10,610)	(12,425)
Attributable to:			
– owners of the parent		(10,610)	(10,748)
– non-controlling interests	20	–	(1,677)
Total comprehensive loss for the year		(10,610)	(12,425)
Loss per share			
Basic and diluted loss per share	10	(0.11)p	(0.18)p

The results reflected above relate to continuing activities.

The accompanying notes on pages 30 to 66 are an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014

	Note	*2014 ($000's)*	*2013 ($000's)*
ASSETS			
Non-current assets			
Goodwill	11	14,353	14,353
Other intangible assets	12	10,148	14,482
Property, plant and equipment	13	202	249
Trade and other receivables	15	174	168
		24,877	29,252
Current assets			
Trade and other receivables	15	724	1,435
Cash and cash equivalents	16	1,743	3,939
		2,467	5,374
TOTAL ASSETS		27,344	34,626
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	19	103	36
Class A Preference share capital	19	–	25
Class B Preference share capital	19	–	5
Share premium	19	6,429	4,222
Merger reserve	20	28,092	3,131
Other Reserves	20	34	–
Accumulated losses	20	(11,184)	(2,498)
		23,474	4,921
Non-controlling interest	20	–	24,404
TOTAL EQUITY		23,474	29,325
Non-current liabilities			
Deferred tax	18	1,933	2,212
Current liabilities			
Trade and other payables	17	1,937	2,743
Borrowings	17	–	346
		1,937	3,089
TOTAL LIABILITIES		3,870	5,301
TOTAL EQUITY AND LIABILITIES		27,344	34,626

These Financial Statements were approved and authorised for issue by the Board of Directors on 11 December 2014 and were signed on its behalf by:

Stuart Rogers **Wayne Thornhill**

Company number: 07812686

The accompanying notes on pages 30 to 66 are an integral part of these Financial Statements.

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014

	Note	*2014 ($000's)*	*2013 ($000's)*
ASSETS			
Non-current assets			
Investment in subsidiaries	14	25,325	3,477
Other intangible assets	12	133	471
Property, plant and equipment	13	157	201
Trade and other receivables	15	174	168
		25,789	4,317
Current assets			
Trade and other receivables	15	4,562	2,247
Cash and cash equivalents	16	1,151	3,391
		5,713	5,638
TOTAL ASSETS		31,502	9,955
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	19	103	36
Class A Preference share capital	19	–	25
Class B Preference share capital	19	–	5
Share premium	19	6,429	4,222
Merger reserve	20	28,092	3,131
Other reserves	20	22	–
Accumulated losses	20	(4,937)	(208)
TOTAL EQUITY		29,709	7,211
Current liabilities			
Trade and other payables	17	1,793	2,398
Borrowings	17	–	346
TOTAL LIABILITIES		1,793	2,744
TOTAL EQUITY AND LIABILITIES		31,502	9,955

The accompanying notes on pages 30 to 66 are an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Note	*Share Capital (£000's)*	*Share Premium (£000's)*	*Merger Reserve (£000's)*	*Other Reserves (£000's)*	*Accumulated Losses (£000's)*	*Total (£000's)*	*Non-controlling interest (£000's)*	*Total Equity (£000's)*
As at 1 October 2012		56	11,130	3,131	–	(4,831)	9,486	26,081	35,567
Issue of shares	19	10	5,337	–	–	–	5,347	–	5,347
Share issue transaction costs	19	–	(172)	–	–	–	(172)	–	(172)
Share based payment expense	6	–	–	–	–	1,113	1,113	–	1,113
Reclassification of equity settled share based payments	20	–	–	–	–	(105)	(105)	–	(105)
Capital reduction	20	–	(12,073)	–	–	12,073	–	–	–
Total contributions by owners of the Company		10	(6,908)	–	–	13,081	6,183	–	6,183
Total comprehensive loss		–	–	–	–	(10,748)	(10,748)	(1,677)	(12,425)
As at 30 September 2013		66	4,222	3,131	–	(2,498)	4,921	24,404	29,325
As at 1 October 2013		66	4,222	3,131	–	(2,498)	4,921	24,404	29,325
Issue of shares	19	59	8,880	24,961	–	–	33,900	–	33,900
Repurchase and cancellation of shares	19	(22)	–	–	22	–	–	–	–
Share issue transaction costs	19	–	(1,064)	–	–	–	(1,064)	–	(1,064)
Share based payment expense	6	–	–	–	–	47	47	–	47
Acquisition of non-controlling interests	20	–	–	–	–	(3,732)	(3,732)	(24,404)	(28,136)
Foreign exchange on translation reserve on consolidation	20	–	–	–	12	–	12	–	12
Capital reduction	20	–	(5,609)	–	–	5,609	–	–	–
Total contributions by owners of the Company		37	2,207	24,961	34	1,924	29,163	(24,404)	4,759
Total comprehensive loss		–	–	–	–	(10,610)	(10,610)	–	(10,610)
As at 30 September 2014		103	6,429	28,092	34	(11,184)	23,474	–	23,474

The above statement should be read in conjunction with the accompanying notes.

The accompanying notes on pages 30 to 66 are an integral part of these Financial Statements.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Note	*Share Capital (£000's)*	*Share Premium (£000's)*	*Merger Reserve (£000's)*	*Other Reserves (£000's)*	*Accumulated Losses (£000's)*	*Total Equity (£000's)*
As at 1 October 2012		56	11,130	3,131	–	(3,962)	10,355
Issue of shares	19	10	5,337	–	–	–	5,347
Share issue transaction costs	19	–	(172)	–	–	–	(172)
Share based payment expense	6	–	–	–	–	1,113	1,113
Reclassification of equity settled share based payments	20	–	–	–	–	(105)	(105)
Capital reduction	20	–	(12,073)	–	–	12,073	–
Total contributions by owners of the Company		10	(6,908)	–	–	13,081	6,183
Total comprehensive loss		–	–	–	–	(9,327)	(9,327)
As at 30 September 2013		66	4,222	3,131	–	(208)	7,211
As at 1 October 2013		66	4,222	3,131	–	(208)	7,211
Issue of shares	19	59	8,880	24,961	–	–	33,900
Conversion of shares at listing	19	–	–	–	–	–	–
Repurchase and cancelation of shares	19	(22)	–	–	22	–	–
Share issue transaction costs	19	–	(1,064)	–	–	–	(1,064)
Share based payment expense	6	–	–	–	–	47	47
Capital reduction	20	–	(5,609)	–	–	5,609	–
Total contributions by owners of the Company		37	2,207	24,961	22	5,656	32,883
Total comprehensive loss		–	–	–	–	(10,385)	(10,385)
As at 30 September 2014		103	6,429	28,092	22	(4,937)	(29,709)

The above statement should be read in conjunction with the accompanying notes.

The accompanying notes on pages 30 to 66 are an integral part of these Financial Statements.

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Note	*Year ended 30 September 2014 (£000's)*	*Year ended 30 September 2013 (£000's)*
Cash flows from operating activities			
Loss before taxation and impairment		(4,097)	(9,327)
Adjustments for:			
Depreciation of plant and equipment	13	48	55
Loss on sale of assets		4	–
Interest received	7	(24)	–
Interest paid	8	2	17
Share based payments	6	47	1,113
Operating cash out flows before movements in working capital		(4,020)	(8,142)
Increase in trade and other receivables		(2,549)	(982)
(Decrease)/Increase in trade and other payables		(469)	373
Net cash used in operating activities		(7,038)	(8,751)
Cash flows from investing activities			
Purchase of plant and equipment	13	(10)	(172)
Proceeds from sale of plant and equipment		2	–
Purchase of intangible assets	12	(81)	(471)
Investment in subsidiaries	14	–	(16)
Acquisition of subsidiary undertaking	14	(3,125)	(190)
Net cash used in investing activities		(3,214)	(849)
Cash flows from financing activities			
Repayment of loan notes and other debt	17	(50)	(14)
Share issue transaction costs	19	(416)	(820)
Proceeds from issue of Ordinary and Preference shares	19	8,614	5,346
Net cash from financing activities		8,148	4,512
Net decrease in cash and cash equivalents		(2,104)	(5,088)
Cash and cash equivalents at the beginning of year		3,391	8,594
Exchange losses on cash and cash equivalents		(136)	(115)
Cash and cash equivalents at end of year	16	1,151	3,391

The accompanying notes on pages 30 to 66 are an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Note	*Year ended 30 September 2014 (£000's)*	*Year ended 30 September 2013 (£000's)*
Cash flows from operating activities			
Loss before taxation		(10,915)	(13,012)
Adjustments for:			
Depreciation of plant and equipment	13	70	68
Loss on sale of assets		4	–
Interest received	7	(24)	(1)
Interest paid	8	2	17
Amortisation of intangible assets	12	2,762	3,119
Impairment of intangibles	12	1,653	–
Tax credit received		26	–
Share based payments	6	47	1,113
Operating cash out flows before movements in working capital		(6,375)	(8,696)
Decrease/(Increase) in trade and other receivables		57	(418)
(Decrease)/Increase in trade and other payables		(697)	582
Net cash used in operating activities		(7,015)	(8,532)
Cash flows from investing activities			
Interest received	7	–	1
Acquisition of subsidiary undertaking	14	(3,125)	–
Purchase of plant and equipment	13	(29)	(220)
Proceeds from sale of plant and equipment	13	2	–
Purchase of intangible assets	12	(81)	(573)
Net cash used in investing activities		(3,233)	(792)
Cash flows from financing activities			
Repayment of loan notes and other debt	17	(50)	(14)
Share issue transaction costs	19	(416)	(820)
Proceeds from issue of Ordinary and Preference shares	19	8,614	5,346
Net cash from financing activities		8,148	4,512
Net decrease in cash and cash equivalents		(2,100)	(4,812)
Cash and cash equivalents at the beginning of the year		3,939	8,866
Exchange losses on cash and cash equivalents		(96)	(115)
Cash and cash equivalents at end of the year	16	1,743	3,939

The accompanying notes on pages 30 to 66 are an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Group develops software that provides natural language generation ("NLG") services and Software as a Service (SaaS) services to industry.

The Company is a public limited company domiciled in the United Kingdom and incorporated under registered number 07812686 in England and Wales. The Company was incorporated on 17 October 2011. The Company's registered office is Space One, 1 Beadon Road, Hammersmith, London W6 0EA.

On 7 November 2013 the Company re-registered as a public limited company and changed its name from ARRIA NLG Limited to ARRIA NLG plc.

On 5 December 2013 the Company was admitted to trading on the London Stock Exchange AIM Market.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated Financial Statements have been prepared under the historical cost convention.

The principal accounting policies applied in the preparation of these consolidated Financial Statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

Going Concern

At the balance sheet date, the group had net assets of £23.5 million, including net cash of £1.7 million. The Group made a loss before tax of £10.9 million and expects to continue to make losses in the near term as it invests in developing new markets for its products and secures its position in commercialising Natural Language Generation. In the medium term, the focus will be on growing revenues in order to achieve profitability and positive cash flows.

Since the balance sheet date, £1.2 million has been drawn down from the £3.08 million convertible debt facility signed on 30 September 2014 (refer to note 17).

The Directors have prepared a business plan and cash flow forecast for the period to 30 June 2016. The forecast contains certain assumptions about future sales, the gross margins achievable and the level of other operating expenses. In addition to this business plan, the Directors have considered various downside sensitivities and management actions that could be undertaken to ensure the ongoing operation of the Group. The Group is in the process of seeking further fundraising in the form of equity or convertible debt to provide adequate working capital to support the commercialisation of Natural Language Generation and enable the Group and Company to continue as a going concern. At the time of approving these financial statements, the Directors have held preliminary discussions with existing and prospective shareholders and lenders. The extent and frequency of funding required will depend on the speed and quantum with which the Group secures additional profitable revenue growth. The Directors are confident of securing sufficient additional funding within the next financial year, for its near term requirements. Should negotiations prove unsuccessful, the Group and Company would be unable to meet their debts as they fall due in the foreseeable future.

The Directors have concluded that pending successful agreement of additional funding there exists a material uncertainty which may cast significant doubt over the ability of the Group and Company to continue as a going concern. Having reviewed the business plan and subject to the uncertainties described above, the Directors have a reasonable expectation that the Group and Company will have adequate resources to continue operating for the foreseeable future. Therefore, the Directors continue to adopt the going concern basis in preparing the financial statements and these do not include adjustments that would result if the Group and Company were unable to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

Adoption of new and revised International Financial Reporting Standards

New and amended standards adopted by the Group

There are no standards that have been adopted by the Group for the first time for the financial year beginning on 1 October 2013 that have an impact on the Group:

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 October 2013, and have not been applied in preparing these consolidated Financial Statements. None of these is expected to have a significant effect on the consolidated Financial Statements of the Group.

Basis of consolidation

The Group Financial Statements consolidate the Financial Statements of ARRIA NLG plc (formerly ARRIA NLG Limited) and all of its subsidiary undertakings. The Consolidated Statement of Comprehensive Income includes the results of all subsidiary undertakings from the date on which control passes. Control is achieved where the Company (or one of its subsidiary undertakings) obtains the power to govern the financial and operating policies of an investee entity so as to derive benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The Group recognises any non-controlling interest in the acquiree at fair value. Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. The full goodwill method has been applied. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions and balances and unrealised gains or losses on transactions between Group companies are eliminated in full. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Taxation

Income tax expense represents the sum of the current tax and deferred tax charge for the year.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s and Company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end.

NOTES TO THE FINANCIAL STATEMENTS continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

Deferred tax

Deferred income taxes are provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred income taxes are determined using tax rates that have been enacted or substantially enacted and are expected to apply when the related deferred income tax asset is realised or the related deferred income tax liability is settled.

The principal temporary differences arise from depreciation or amortisation charged on assets and tax losses carried forward. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences and unused tax losses can be utilised.

Foreign currencies

(i) Functional and presentational currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which each entity operates ("the functional currency") which is considered by the Directors to be Pounds sterling (£). The Financial Statements have been presented in Pounds sterling (£).

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the 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 the income statement.

(iii) Group Companies

The results and financial position of all the Group entities that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at closing rate at the date of the statement;

(b) the income and expenses are translated at average exchange rates for year; and

(c) all resulting exchange differences are recognised in equity.

Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of VAT. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

Revenue relating to software development that is contracted on a time and materials basis is recognised as the services are performed.

NOTES TO THE FINANCIAL STATEMENTS continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

Revenue relating to software development that is contracted on a fixed price basis is recognised on a percentage-of-completion basis, based on the extent of work completed as a percentage of overall estimated project cost, unless customer acceptance of deliverables is required, in which case revenue recognition is deferred until acceptance is received.

Revenue relating to the sale of time-based software licences is recognised over the period to which the license relates on a straight line basis.

Typically, a number of the above elements are sold together as a bundled contract. Revenue is recognised separately for each component if it is considered to represent a separable good or service and a fair value can be reliably established. The Group may derive fair value for its services based on the stand alone selling price, or a reliable cost estimate plus an appropriate market-based margin.

Revenue in respect of licences is generally billed in advance and revenue related to development is billed on a milestone basis. If the amount of revenue recognised exceeds the amount invoiced to customers the excess is recorded as accrued income within accounts receivable. The excess of fees invoiced over revenue recognised is recorded as deferred revenue.

Interest Income

Interest income is recognised using the effective interest method.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance.

Loans and receivables

Loans and receivables are financial assets that have fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each year end. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Any impairment charge is recorded in the Statement of Comprehensive Income.

Equity instruments

An equity instrument is any instrument with a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments (Ordinary shares) are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE FINANCIAL STATEMENTS continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

Merger reserve

Where more than 90% of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company, merger relief under the Companies Act 2006 is attracted. The premium on the new shares issued is credited to the merger reserve.

Cash and cash equivalents

Cash and cash equivalent comprise cash in hand, deposits held at call with banks, and other short term highly liquid investments with original maturities of three months or less.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Property, plant and equipment

All property, plant and equipment is stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Computer equipment	3
Office Equipment	4
Furniture & Fittings	5
Leasehold improvements	5

NOTES TO THE FINANCIAL STATEMENTS continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

The asset's residual values and economic lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Assets that are no longer of economic use to the business are retired.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses) or gains in the income statement.

Goodwill

Goodwill represents the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

Goodwill arising on acquisitions is not subject to amortisation but is subject to annual impairment testing. Any impairment is recognised immediately in the Consolidated Statement of Comprehensive Income and not subsequently reversed.

Other intangible assets

Intangible assets are recorded as separately identifiable assets and recognised at historical cost less any accumulated amortisation. These assets are amortised over their definite useful economic lives on the straight-line method, commencing when the asset is available for use, or in respect of patents, when the patent is granted.

Amortisation is computed using the straight-line method over the definite estimated useful lives of the assets as follows:

	Years
Intellectual property	3 – 10
Capitalised development costs	3

The asset's residual values and economic lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses) or gains in the Statement of Comprehensive Income.

Research and development

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects are recognised as intangible assets when the following criteria are fulfilled:

- It is technically feasible to complete the intangible asset so that it will be available for use or resale;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible;
- It can be demonstrated how the intangible asset will generate possible future economic benefits;
- Adequate technical, financial and other resource to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

Critical accounting estimates and judgements

The preparation of Financial Statements in conformity with International Financial Reporting Standards requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and expenses during the reporting year. Although these estimates are based on management's best knowledge of current events and actions, the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the carrying value of goodwill as outlined in note 11, the carrying value of other intangibles as outlined in note 12, the estimate of fair value of share-based payments as outlined in note 6, and the assessment of going concern as outlined in the basis of preparation and Director's report.

Company Statement of Comprehensive Income

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own Statement of Comprehensive Income for the year. The Company reported a loss before impairment for the financial year ended 30 September 2014 of £4,097,239 (2013: £9,326,721) and after impairment of £10,384,738 (2013: £9,326,721).

3. SEGMENT INFORMATION

The Board of Directors is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board of Directors for the purpose of resource allocation and assessment of performance and it is considered that is one operating segment, being the provision of computer software which is all generated from one geographical location, being the UK. Corporate costs relate to unallocated head office costs.

The following is an analysis of revenues and results from operations and assets by business segment:

Revenue

	Group Year ended 30 September 2014 (£000's)	*Group Year ended 30 September 2013 (£000's)*
Provision of computer software	787	816
Total	787	816

Loss before tax

	Group Year ended 30 September 2014 (£000's)	*Group Year ended 30 September 2013 (£000's)*
Provision of computer software	(5,188)	(3,138)
Corporate costs	(5,727)	(9,874)
	(10,915)	(13,012)

NOTES TO THE FINANCIAL STATEMENTS continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

Other development expenditures that do not meet these criteria are recognised as an expense in the year incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent year. Capitalised development costs are recorded as intangible assets and are amortised from the point at which they are ready for use on a straight-line basis over the asset's estimated useful life.

Impairment of non-financial assets

Assets that are subject to amortisation and depreciation are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be fully recoverable. Assets that have indefinite useful lives are not subject to amortisation and are tested for impairment on an annual basis at each year end. The recoverable amount is the higher of its fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Any impairment loss arising from the review is charged to the Statement of Comprehensive Income whenever the carrying amount of the asset exceeds its recoverable amount.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

A business segment is a group of assets and operations engaged in providing products or services that is subject to risks and returns that are different from those of other business segments, a geographical segment is engaged in providing products or services within a particular environment that subject to risks and returns that are different from those of segments operating in other economic environments.

Pension contributions

The Group operates a defined contribution plan and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted. The fair value of these payments is calculated either using the Black Scholes option pricing model or by reference to the fair value of any fees or remuneration settled by way of granting of options.

The expense is recognised on a straight line basis over the period from the date of award to the date of vesting, based on the best estimate of the number of shares that will eventually vest. When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

NOTES TO THE FINANCIAL STATEMENTS continued

3. SEGMENT INFORMATION continued

Assets

	Group Year ended 30 September 2014 (\$000's)	*Group Year ended 30 September 2013 (\$000's)*	*Company Year ended 30 September 2014 (\$000's)*	*Company Year ended 30 September 2013 (\$000's)*
Provision of computer software	26,072	30,092	–	–
Corporate	1,272	4,534	37,790	9,955
	27,344	34,626	37,790	9,955

Entity-wide information

Total revenue from activities by geographical destination is detailed below:

Revenue by geography

	Group Year ended 30 September 2014 (\$000's)	*Group Year ended 30 September 2013 (\$000's)*
Revenue derived from the UK	38	13
Revenue derived from the United States	749	803
Total Revenue	787	816

Revenue of individual customers accounting for greater than 10% of revenue

	Group Year ended 30 September 2014 (\$000's)	*Group Year ended 30 September 2013 (\$000's)*
Customer A – United States	749	803
Customer B – United Kingdom	38	13
Total Revenue	787	816

NOTES TO THE FINANCIAL STATEMENTS continued

4. OPERATING LOSS

The Group's operating loss has been arrived at after charging:

	Group Year ended 30 September 2014 (£000's)	*Group Year ended 30 September 2013 (£000's)*
Employee and consultant costs	4,777	5,031
Operating lease rentals	258	260
Depreciation charge	70	68
Research and development	32	9
Legal and professional fees	1,089	3,024
Foreign exchange losses	261	34
Auditors remuneration		
Audit of Company	52	50
Audit of subsidiaries	26	14
Total audit	78	64
Audit related assurance services	14	–
Other assurance services		
Assurance provided as part of listing (IPO) process	–	689
Tax compliance services	10	5
Tax advisory services	32	263
Services relating to taxation	42	268
Other non-audit services	18	87
Total non-audit services	74	1,044
Total fees paid to auditors	152	1,108

5. EMPLOYEES

	Group Year ended 30 September 2014 (£000's)	*Group Year ended 30 September 2013 (£000's)*
Wages and salaries	2,484	2,220
Social security costs	245	258
Other pension costs	84	110
Share based payments	47	1,113
	2,860	3,701

NOTES TO THE FINANCIAL STATEMENTS continued

5. EMPLOYEES continued

The monthly average number of employees (including Executive Directors but excluding consultants) in the Group during the year was 41 (2013: 32). Average number of employees analysed by category was as follows:

	Group Year ended 30 September 2014	*Group Year ended 30 September 2013*
Directors (executive and non-executive)	5	7
Management	1	2
Technical	26	17
Administration	4	3
Sales	5	3
	41	32

6. SHARE-BASED PAYMENTS

The Company has a number of share option schemes in place in the year ended 30 September 2014.

The Company grants options over Ordinary shares at its discretion to Directors and management. Share options are granted with vesting periods of between zero and five years from the date of grant. Should the options remain unexercised after a period of eight years from the date of grant the options will expire. Options are exercisable at a price determined by the Board of Directors at the time of grant.

Details for the share options and Warrants granted, exercised, lapsed and outstanding at the year end are as follows:

	Number of share options	*Weighted average exercise price*
Outstanding at 1 October 2013	1,475,000	£0.275
Forfeited during the year	(177,000)	
Granted during the year	352,000	
Outstanding at 30 September 2014	1,650,000	£0.603
Exercisable at 30 September 2014	1,216,667	

NOTES TO THE FINANCIAL STATEMENTS continued

6. SHARE-BASED PAYMENTS continued

Fair value of share options

The weighted average fair value of the exercise price of the share options granted in the financial year, determined using the Black-Scholes valuation model was £0.603 (2013: £0.275).

The calculation of the fair value of options issued requires the use of estimates. The key assumptions are:

	2014	*2013*
Weighted average share price	£0.78	£0.70
Weighted average exercise price	£0.603	£0.275
Expected life	3.00	1.72
Risk free rate	0.99%	4.40%
Expected dividend yields	0%	0%

A charge of £47,345 relating to share-based payments has been recognised in the year and is included in the Consolidated Statement of Comprehensive Income (2013: £1,113,135).

Share options outstanding at the end of the year have the following expiry date and exercise prices:

2014

Scheme	*Number of shares*	*Date of grant*	*Exercise price*	*Exercise year From*	*To*
Executive scheme	350,000	26/06/13	US $1.00	26/06/13	26/06/21
Executive scheme	300,000	26/06/13	US $1.00	26/06/14*	26/06/21*
Staff scheme	650,000	07/04/13	US $1.00	07/04/14	07/04/21
Staff scheme	13,000	28/11/13	US $1.60	28/05/14	28/05/22
Staff scheme	100,000	23/06/14	GB£0.57	23/06/15*	23/06/25*
Staff scheme	200,000	30/06/14	GB£0.55	30/06/14**	23/06/24**
Staff scheme	2,000	01/09/14	GB£0.41	01/09/14	01/09/22
Staff scheme	35,000	01/09/14	GB£0.41	01/09/14	01/09/22
Total	1,650,000				

2013

Scheme	*Number of shares*	*Date of grant*	*Exercise price*	*Exercise year From*	*To*
Executive scheme	350,000	26/06/13	U$1.00	26/06/13	26/06/21
Executive scheme	300,000	26/06/13	U$1.00	26/06/14*	26/06/21*
Staff scheme	825,000	07/04/13	U$1.00	07/04/14	07/04/21
Total	1,475,000				

* Options vest 1/3 per year on anniversary of grant
** Options vest 1/3 on grant and 1/3 per year on anniversary of grant

NOTES TO THE FINANCIAL STATEMENTS continued

7. FINANCE INCOME

	Group Year ended 30 September 2014 (£000's)	*Group Year ended 30 September 2013 (£000's)*
Bank interest and interest forgiven on loan notes	24	1

8. FINANCE EXPENSE

	Group Year ended 30 September 2014 (£000's)	*Group Year ended 30 September 2013 (£000's)*
Interest payable – loan notes	2	17

9. TAXATION CREDIT

	Group Year ended 30 September 2014 (£000's)	*Group Year ended 30 September 2013 (£000's)*
Current tax:		
Research and development Tax credits	(26)	–
Total current tax	(26)	–
Deferred tax (note 18):		
Origination and reversal of timing differences	(279)	(292)
Impact of change in tax rate	–	(295)
Total deferred tax	(279)	(587)
Income tax credit	(305)	(587)

NOTES TO THE FINANCIAL STATEMENTS continued

9. TAXATION CREDIT continued

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Group Year ended 30 September 2014 (£000's)	*Group Year ended 30 September 2013 (£000's)*
Loss before tax on ordinary activities	(10,915)	(13,012)
Tax calculated at domestic rate applicable to profits in respective countries at 22% (2013: 23.5%)	(2,406)	(3,055)
Tax effects of:		
Expenses not deductible for tax purposes	276	1,779
Capital allowances in excess of depreciation	43	56
Research and Development tax credit	(26)	–
Re-measurement of deferred tax	–	(295)
Tax Loss for which no deferred tax asset has been recognized	1,808	928
Income tax credit	(305)	(587)

During the year, the main corporation tax rate in the UK reduced from 23% to 21% from 1 April 2014. Therefore the weighted average UK statutory rate was 22%.

Further changes to the main corporation tax rate in the UK were announced in the 2013 budget. The rate will reduce to 20% effective from 1 April 2015. These changes were substantively enacted on 2 July 2013 and consequently, the relevant deferred tax balances have been re-measured in both the current and prior year.

10. LOSS PER SHARE

Basic earnings per share for each period is calculated by dividing the earnings attributable to shareholders by the weighted average number of Ordinary shares in issue during the period based on the capital structure of the Company. Details of the earnings and weighted average number of Ordinary shares used in each calculation are set out below. As the entity is loss making, diluted and basic earnings per share are equal.

	Group Year ended 30 September 2014 (£000's)	*Group Year ended 30 September 2013 (£000's)*
Loss attributable to owners of the parent	(10,610)	(10,748)
	Number (000's)	*Number (000's)*
Weighted average number of shares	99,182	60,622
Basic earnings per share	(0.11)p	(0.18)p
Diluted earnings per share	(0.11)p	(0.18)p

NOTES TO THE FINANCIAL STATEMENTS continued

11. GOODWILL

Group

	Goodwill *($000's)*
Cost	
At 1 October 2012	14,353
At 30 September 2013	14,353
At 1 October 2013	14,353
At 30 September 2014	14,353

The goodwill arose on the acquisition of Arria Data2Text Limited (formerly Data2Text Limited) on 1 May 2012.

An impairment review is undertaken annually or whenever changes in circumstances or events indicate that the carrying amount may not be recovered. For the purpose of impairment testing, goodwill is allocated to each of the cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually.

The entire goodwill balance has been allocated to the provision of computer software cash generating unit and has been tested for impairment as at 30 September 2014. The recoverable amount has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period and are extrapolated for a further six years using an estimated compound average growth rate of 24%. The Directors believe using a period greater than five years is appropriate due to the early stage of the business giving rise to expected growth greater than the long term growth rate for a period beyond five years. Cash flows beyond this period are extrapolated using a long term growth rate of 2%. These cash flows have been discounted at a pre-tax rate of 15.2%.

Sensitivity analysis has been performed, and in none of the scenarios considered reasonably possible by the Directors would result in an impairment.

NOTES TO THE FINANCIAL STATEMENTS continued

12. OTHER INTANGIBLE ASSETS

Group

	Intellectual property (£000's)	*Capitalised development costs (£000's)*	*Total other intangible assets (£000's)*
Cost			
At 1 October 2012	19,032	–	19,032
Additions	–	573	573
At 30 September 2013	19,032	573	19,605
At 1 October 2013	19,032	573	19,605
Additions	–	81	81
At 30 September 2014	19,032	654	19,686
Accumulated amortisation and impairment			
At 1 October 2012	2,004	–	2,004
Amortisation expense	3,119	–	3,119
At 30 September 2013	5,123	–	5,123
At 1 October 2013	5,123	–	5,123
Amortisation expense	2,727	35	2,762
Impairment expense	1,653	–	1,653
At 30 September 2014	9,503	35	9,538
Carrying amount			
At 1 October 2012	17,028	–	17,028
At 30 September 2013	13,909	573	14,482
At 1 October 2013	13,909	573	14,482
At 30 September 2014	9,529	619	10,148

The calculation of amortisation of intangible assets requires the use of estimates and judgement, related to the expected useful lives of the assets. If the useful lives of the intellectual property were decreased by 2 years, this would have resulted in an additional amortisation charge of £784,739 in the year.

Following a review of the business opportunities available to the Group, the Directors determined to continue to focus on developing the NLG software in advance of SQM3 in the near term. An impairment review based on value in use was performed at the year end resulting in an impairment charge of £1,653,111 being recognised at 30 September 2014.

NOTES TO THE FINANCIAL STATEMENTS continued

12. OTHER INTANGIBLE ASSETS continued

Company

	Capitalised development costs (£000's)
Cost	
At 1 October 2012	–
Additions	471
At 30 September 2013	471
At 1 October 2013	471
Additions	81
Transferred to subsidiary undertaking	(419)
At 30 September 2014	133
Accumulated amortisation and impairment	
At 1 October 2012	–
Amortisation expense	–
At 30 September 2013	–
At 1 October 2013	–
Amortisation expense	–
At 30 September 2014	–
Carrying amount	
At 1 October 2012	–
At 30 September 2013	471
At 1 October 2013	471
At 30 September 2014	133

NOTES TO THE FINANCIAL STATEMENTS continued

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Computer Equipment (£000's)	*Leasehold Improvements (£000's)*	*Office Equipment (£000's)*	*Furniture & Fittings (£000's)*	*Total (£000's)*
Cost					
At 1 October 2012	67	25	–	13	105
Additions	68	79	10	63	220
At 30 September 2013	135	104	10	76	325
At 1 October 2013	135	104	10	76	325
Additions	23	–	–	6	29
Disposals	(1)	–	–	(7)	(8)
At 30 September 2014	157	104	10	75	346
Accumulated depreciation					
At 1 October 2012	8	–	–	–	8
Depreciation expense	31	21	2	14	68
At 30 September 2013	39	21	2	14	76
At 1 October 2013	39	21	2	14	76
Depreciation expense	39	17	2	12	70
Depreciation on disposal	(1)	–	–	(1)	(2)
At 30 September 2014	77	38	4	25	144
Carrying amount					
At 1 October 2012	59	25	–	13	97
At 30 September 2013	96	83	8	62	249
At 1 October 2013	96	83	8	62	249
At 30 September 2014	80	66	6	50	202

NOTES TO THE FINANCIAL STATEMENTS continued

13. PROPERTY, PLANT AND EQUIPMENT continued

Company

	Computer Equipment (£000's)	*Leasehold Improvements (£000's)*	*Office Equipment (£000's)*	*Furniture & Fittings (£000's)*	*Total (£000's)*
Cost					
At 1 October 2012	50	25	–	13	88
Additions	21	79	10	63	173
At 30 September 2013	71	104	10	76	261
At 1 October 2013	71	104	10	76	261
Additions	7	–	–	3	10
Disposals	(1)	–	–	(7)	(8)
At 30 September 2014	77	104	10	72	263
Accumulated depreciation					
At 1 October 2012	5	–	–	–	5
Depreciation expense	18	21	2	14	55
At 30 September 2013	23	21	2	14	60
At 1 October 2013	23	21	2	14	60
Depreciation expense	17	17	2	12	48
Depreciation on disposal	(1)	–	–	(1)	(2)
At 30 September 2014	39	38	4	25	106
Carrying amount					
At 1 October 2012	45	25	–	13	83
At 30 September 2013	48	83	8	62	201
At 1 October 2013	48	83	8	62	201
At 30 September 2014	38	66	6	47	157

NOTES TO THE FINANCIAL STATEMENTS continued

14. INVESTMENT IN SUBSIDIARIES

Company

	£ (£000's)
Cost	
At 1 October 2012	3,461
Additions in the year	16
At 30 September 2013	3,477
At 1 October 2013	3,477
Additions in the year	28,136
At 30 September 2014	31,613
Impairment	
At 1 October 2013	–
Charge for the year	(6,288)
At 30 September 2014	(6,288)
Carrying amount	
At 1 October 2012	3,461
At 30 September 2013	3,477
At 1 October 2013	3,477
At 30 September 2014	25,325

Additions in the year relate to the acquisition of the remaining 80% of Arria Data2Text Limited (formerly Data2Text Limited) on the 25 October 2013 and the conclusion of the acquisition of Global IP Inc on the 25 October 2013. Further details of the terms of the acquisitions made in the year are disclosed in note 19 of the consolidated financial statements.

Further details of non-controlling interest are disclosed in note 20 of the consolidated Financial Statements

The Directors annually assess the carrying value of the investment in subsidiary undertakings. Following a review of the business opportunities available to the Group and continuing focus on the NLG software as described in note 12 the invesments in SQI3 Limited and Global IP Inc were impaired in full as those entities own the SQM3 intellectual property.

The principal subsidiary undertakings during the year were as follows:

	Country of incorporation	*Interest held %*
Arria Data2Text Limited (formerly Data2Text Limited)	UK	100%
Global IP Inc.	USA	100%
SQI3 Solutions Limited	UK	100%
SQM3 Limited	UK	100%
Arria NLG B.V.	Netherlands	100%
Arria NLG (NZ) Limited	New Zealand	100%
Arria NLG (AUS) Pty Limited	Australia	100%
Arria NLG (USA) Inc	USA	100%

All subsidiaries are owned directly by the Parent Company.

Arria NLG (NZ) Limited, Arria NLG (AUS) Pty Limited and Arria NLG (USA) Inc were all incorporated during 2014.

NOTES TO THE FINANCIAL STATEMENTS continued

15. TRADE AND OTHER RECEIVABLES

Non-current	*Group 30 September 2014 ($000's)*	*Group 30 September 2013 ($000's)*	*Company 30 September 2014 ($000's)*	*Company 30 September 2013 ($000's)*
Rental Deposits	174	168	174	168

All non-current receivables are due within three years from the end of the reporting period.

Current	*Group 30 September 2014 ($000's)*	*Group 30 September 2013 ($000's)*	*Company 30 September 2014 ($000's)*	*Company 30 September 2013 ($000's)*
Trade receivables	103	502	–	20
Prepayments	155	72	150	72
Due from Group undertakings	–	–	4,410	1,382
Other receivables	6	20	2	–
Capitalised equity transaction costs	–	648	–	648
VAT receivable	460	193	–	125
Current portion	724	1,435	4,562	2,247

Trade receivables are measured at amortised cost. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

The average credit period taken on sales during the year was 48 days. As at 30 September 2014 there were no trade receivables that were past due but not impaired.

Capitalised equity transaction costs in the prior year relate to costs incurred in respect of equity fund raising prior to the balance sheet date, where the shares have been issued subsequent to the balance sheet date. These costs were offset against share premium on the issue of the shares during the current year.

The carrying amounts of the Group's current trade and other receivables are denominated in the following currencies:

	30 September 2014 ($000's)	*30 September 2013 ($000's)*
US Dollar	106	496
UK Pound	606	939
NZ Dollar	11	–
Euros	1	–
	724	1,435

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

NOTES TO THE FINANCIAL STATEMENTS continued

16. CASH AND CASH EQUIVALENTS

	Group 30 September 2014 (£000's)	*Group 30 September 2013 (£000's)*	*Company 30 September 2014 (£000's)*	*Company 30 September 2013 (£000's)*
Cash at bank and in hand	1,743	3,939	1,151	3,391

17. TRADE AND OTHER PAYABLES

	Group 30 September 2014 (£000's)	*Group 30 September 2013 (£000's)*	*Company 30 September 2014 (£000's)*	*Company 30 September 2013 (£000's)*
Trade payables	304	1,022	256	966
Social security and other taxes	92	93	60	76
Other payables	–	–	–	–
VAT payable	415	–	415	–
Accruals	649	1,327	506	1,265
Deferred income	477	301	–	–
Due to Group undertakings	–	–	556	91
	1,937	2,743	1,793	2,398
Borrowings				
Loan notes	–	346	–	346
	1,937	3,089	1,793	2,744

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs and are payable within 3 months. The average credit period taken during the year for trade purchases for the Group was 11 days.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

On 30 September 2014 the Company entered into a subscription agreement with the Ikonic Fund SAC Limited ("Ikonic"), pursuant to which Ikonic has agreed to subscribe for £3.08 million of loan notes in three tranches, by the following dates: (i) £1.232 million (circa US$2 million) of the loan notes by 31 December 2014; (ii) £1.232 million (circa US$2 million) of the loan notes by 31 December 2015; and (iii) £0.616 million (circa US$1 million) of the loan notes by 31 March 2016. The issue of the loan notes to Ikonic will raise a total of £3.08 million (circa US$5.0 million) for the Company.

Ikonic currently holds 3,125,000 Ordinary shares in the capital of the Company representing approximately 3.05 per cent. of the issued share capital of the Company, together with listed Warrants to subscribe for an additional 3,125,000 Ordinary shares, exercisable until 30 September 2017 at £1.33 per Ordinary share ("Warrants").

The loan notes are constituted by a loan note instrument dated 30 September 2014 (the "Instrument") which creates £3,080,000 (circa US$5,000,000) of loan notes. The loan notes have a maturity date of 31 October 2019 (the "Maturity Date") and accrue interest at a rate of 5% above the Bank of England base rate as at 31 October of each year.

NOTES TO THE FINANCIAL STATEMENTS continued

17. TRADE AND OTHER PAYABLES continued

Under the terms of the subscription agreement, Ikonic has agreed that it (together with any parties to whom it is connected) will not acquire more than 25.0% of the issued Ordinary share capital of the Company prior to 31 October 2019 (being the maturity date of the loan notes), such percentage to be calculated on the assumption that Ikonic and any parties to whom it is connected have exercised all conversion rights attached to the loan notes and Warrants. Ikonic shall be entitled to appoint an observer to receive Board papers and attend the Board of Directors meetings of the Company.

Interest Payments begin on 31 October 2015 and will be payable annually on 31 October each calendar year thereafter (the “Interest Payment Date”) until the Maturity Date.

The Company can redeem the loan notes, without penalty or fee, at any time upon 10 business days’ notice to the holders of the loan notes (the “Noteholders”). The Noteholders will be entitled to convert the loan notes and any accrued but unpaid interest into new Ordinary Shares at a price of £0.40 per share (subject to adjustment in certain customary circumstances) during the first 10 business days of each calendar year and also following receipt of notice that the Company intends to redeem the loan notes.

The interest payments shall be calculated with interest accruing on the principal amount of the loan notes outstanding, compounding on an annual basis. Interest payments can be paid (and Noteholders can require them to be paid) through the issue of payment in kind notes of equal nominal value in full or partial satisfaction of any interest that has accrued but which remains unpaid in respect of the loan notes up to that date.

18. DEFERRED TAX

The analysis of deferred tax liabilities is as follows:

Group	*Group 2014 (£000’s)*	*Group 2013 (£000’s)*	*Company 2014 (£000’s)*	*Company 2013 (£000’s)*
Deferred tax within 12 months	261	305	–	–
Deferred tax greater than 12 months	1,672	1,907	–	–
Deferred tax liabilities	1,933	2,212	–	–

The movement in deferred tax is as follows:

Group
As at 30 September 2013

	Opening balance £	*Recognised in the income statement £*	*2013 Closing balance £*
Deferred tax liabilities			
Intangible assets on acquisition	(2,799)	587	(2,212)
Net deferred tax liability	(2,799)	587	(2,212)

NOTES TO THE FINANCIAL STATEMENTS continued

18. DEFERRED TAX continued

As at 30 September 2014

	Opening balance £	*Recognised in the income statement £*	*2014 Closing balance £*
Deferred tax liabilities			
Intangible assets on acquisition	(2,212)	279	(1,933)
Net deferred tax liability	(2,212)	279	(1,933)

There was no deferred tax recognised in the Company.

The Group has an unrecognised deferred tax asset of £3,712,000 (2013: £1,904,000) that is available for offset against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these as it is the view of the Directors that in line with current market expectations future taxable profits are not deemed probable in the short term to offset against these losses.

19. SHARE CAPITAL AND SHARE PREMIUM

Company and Group

The issued share capital in the year was as follows:

	Ordinary shares Number	*Ordinary B shares Number*	*Class A Preference shares Number*	*Class B Preference shares Number*
At 1 October 2012	33,284,852	–	17,701,734	5,077,573
Issue of capital	2,500,000	–	6,848,896	–
At 30 September 2013	35,784,852	–	24,550,630	5,077,573
At 1 October 2013	35,784,852	–	24,550,630	5,077,573
Issue of share capital	281,250	45,000,000	8,625,357	5,077,574
Conversion to Ordinary shares on listing	66,496,622	(23,165,488)	(33,175,987)	(10,155,147)
Re-purchased and cancel on listing	–	(21,834,512)	–	–
At 30 September 2014	102,562,724	–	–	–

NOTES TO THE FINANCIAL STATEMENTS continued

19. SHARE CAPITAL AND SHARE PREMIUM continued

	Share Capital (£000's)	*Share Premium (£000's)*	*Total (£000's)*
Company and Group			
At 1 October 2012	56	11,130	11,186
Issue of Ordinary share capital	3	–	3
Issue of Class A Preference share capital	7	5,337	5,344
Capital Reduction	–	(12,073)	(12,073)
Issue of Class B Preference share capital	–	(172)	(172)
At 30 September 2013	66	4,222	4,288
At 1 October 2013	66	4,222	4,288
Issue of Ordinary share capital	–	8,880	8,925
Issue of B Ordinary share capital	45	–	–
Issue of Class A Preference share capital	9	–	9
Issue of Class B Preference share capital	5	–	5
Repurchase and cancellation of share capital on listing	(22)	–	(22)
Capital Reduction	–	(5,609)	(5,609)
Share Issue Transaction Costs	–	(1,064)	(1,064)
At 30 September 2014	103	6,429	6,532

On 24 October 2013, the Company issued 1,448,169 A Preference shares with a nominal value of £0.001 each for cash consideration of £1,434,334, along with 1,448,169 Warrants for Ordinary shares with an exercise price of £1.33 each.

During the month of October 2013, the Company entered into subscription agreements with investors to subscribe for 6,137,500 A Preference shares with a nominal value of £0.001 each for total cash consideration of US$9,820,000, which were conditional on the listing of the Company's shares on the London Stock Exchange AIM Market. Attached to these shares are 6,137,500 Warrants for Ordinary shares with an exercise price of £1.33 each. Also during the month of October, the Company entered into an irrevocable subscription agreement with Gerald Henry to subscribe on or before 20 December 2013 for 281,250 Ordinary shares for cash consideration of US$450,000. Each share has a Warrant for Ordinary shares attached, with an exercise price of £1.33 each.

On 25 October 2013, the Company concluded the acquisition of the remaining 80% of the share capital of Arria Data2Text Limited (formerly Data2Text Limited) over which it had an option. Consideration was satisfied by £3,125,000 in cash and the issue of 45,000,000 B Ordinary shares with a total value of £21,875,000. The B Ordinary shares were converted into 23,165,488 Ordinary shares (approximately 22.59% of the share capital of the Company) and 21,834,512 Deferred shares immediately prior to the Company's shares being admitted to trading on the London Stock Exchange AIM Market on 5 December 2013. The Deferred shares were bought back and cancelled for an aggregate consideration of one penny pursuant to an off-market share purchase agreement which has received prior shareholder approval.

Following the acquisition of Arria Data2Text Limited (formerly Data2Text Limited), the Company concluded the acquisition of the share capital of Global IP Inc. over which it had already had control at the balance date. Consideration for Global IP Inc. was in the form of 5,077,574 B Preference shares with a value of £3,135,910.

On 13 November 2013, the Company issued 1,039,688 A Preference shares with a nominal value of £0.001 each for cash consideration of £1,034,777, along with 1,039,688 Warrants for Ordinary shares with an exercise price of £1.33 each.

NOTES TO THE FINANCIAL STATEMENTS continued

19. SHARE CAPITAL AND SHARE PREMIUM continued

Directly attributable costs of the share issues of £1,063,597 (2013: £172,198) have been accounted for as a deduction from share premium.

On 19 and 27 November 2013 the Board resolved (pursuant to the authority conferred upon them by article 6.1 of the Company's Articles of Assocation at that time that:

- Immediately prior to Admission to listing on the London Stock Exchange AIM market, each A Preference share and B Preference share be redesignated as one Ordinary share; and,
- Immediately prior to Admission of the Company's Ordianry shares and Warrants on the London Stock Exchange AIM market, the 23,165,488 B Ordinary shares issued as part consideration to acquire the 80% of Data2Text Limited not already owned by the Company were redesignated as 23,165,488 Ordinary shares and 21,834,512 Deferred shares;

On 5 December 2013 immediately prior to Admission to listing on the London Stock Exchange AIM market, each A Preference share and each B Preference share were redesignated as one Ordinary share and the 45,000,000 B Ordinary shares were redesignated as 23,165,488 Ordinary shares and 21,834,512 Deferred shares. The Deferred shares were then bought back by the Company and cancelled for an aggregate consideration of one penny pursuant to an off-market share purchase agreement which had received shareholder approval. The difference between the nominal value of £21,835 of the Deferred shares that were repurchased and the consideration of one penny was transferred to the Capital Redemption Reserve

On 20 December 2013 the Company issued 281,250 Ordinary shares and 281,250 Warrants over Ordinary shares (with an exercise price of £1.33 each). Consideration for the subscription was satisfied by the conversion of US$450,000 of existing loan notes.

Each category of share capital has a nominal value of £0.001 per share.

DESCRIPTION OF RIGHTS

Ordinary shares

Each Ordinary share holds the following rights:

- One vote per share on a poll vote and a vote by show of hands.
- Right to participate in dividends.
- Right to participate in a return of capital (including on a winding up); they do not confer any rights of redemption.

A Preference shares

The A class Preference shares held the following rights:

- One vote per share on a poll vote and a vote by show of hands.
- Right to participate in dividends and a return of capital (including on a winding up) in priority to 'B' Preference shares and Ordinary shares. The Board of Directors may direct that immediately prior to a listing, and conditionally upon occurrence of such listing each 'A' Preference share in the Company's capital shall be converted into and shall be re-designated as one Ordinary share in the Company's capital; they do not confer any rights of redemption.

NOTES TO THE FINANCIAL STATEMENTS continued

19. SHARE CAPITAL AND SHARE PREMIUM continued

B Preference shares

The B class Preference shares held the following rights:

- One vote per share on a poll vote and a vote by show of hands.
- Right to participate in dividends and a return of capital (including on a winding up) in priority to Ordinary shares. The Board of Directors may direct that immediately prior to a listing, and conditionally upon occurrence of such listing each 'B' Preference share in the Company's capital shall be converted into and shall be re-designated as one Ordinary share in the Company's capital; they do not confer any rights of redemption.

B Ordinary shares

The B ordinary shares held the following rights:

- held approximately 22.59% of the votes rights (shared pro rata amongst the holders of B Ordinary shares).
- had a right to participate in approximately 22.59% (shared pro rata amongst the B Ordinary shareholders) of any dividend and on a return of capital (including on a winding-up).
- on a listing, were entitled to be redesignated into approximately 22.59% of the issued share capital of the Company (any balance being redesignated as Deferred shares).
- did not confer any rights of redemption.

Deferred shares

The deferred shares held the following rights:

- had no right to participate in the profits of the Company.
- had no right to vote.
- had rights, on a winding up, to payment of the nominal capital paid up on such shares after holders of all other shares had been paid the nominal value on such other shares together with the sum of £100,000 per such other share

NOTES TO THE FINANCIAL STATEMENTS continued

20. RESERVES

	Capital redemption reserve (£000's)	*Foreign exchange reserve (£000's)*	*Merger reserve (£000's)*	*Accumulated losses (£000's)*	*Non-controlling interest (£000's)*
Group					
At 1 October 2012	–	–	3,131	(4,831)	26,081
Loss for the year	–	–	–	(10,748)	(1,677)
Share based payment expense	–	–	–	1,113	–
Reclassification of equity settled share based payment to cash settled	–	–	–	(105)	–
Acquisition of subsidiary	–	–	–	12,073	
At 30 September 2013	–	–	3,131	(2,498)	24,404
At 1 October 2013	–	–	3,131	(2,498)	24,404
Loss for the year	–	–	–	(10,610)	–
Acquisition of non-controlling interest in Arria Data2Text	–	–	21,830	(2,075)	(22,926)
Acquisition of Global IP	–	–	3,131	(1,657)	(1,478)
Repurchase and cancellation of shares	22	–	–	–	–
Share based payment expense	–	–	–	47	–
Foreign exchange translation reserve on consolidation	–	12	–	–	–
Capital Reduction	–	–	–	5,609	–
At 30 September 2014	22	12	28,092	(11,184)	–

	Capital redemption reserve (£000's)	*Merger reserve (£000's)*	*Accumulated losses (£000's)*
Company			
At 1 October 2012	–	3,131	(3,962)
Loss for the year	–	–	(9,327)
Share based payment expense	–	–	1,113
Reclassification of equity settled share based payment to cash settled	–	–	(105)
Acquisition of subsidiary	–	–	12,073
At 30 September 2013	–	3,131	(208)
At 1 October 2013	–	3,131	(208)
Loss for the year	–	–	(10,385)
Acquisition of non-controlling interest in Arria Data2Text	–	21,830	–
Acquisition of Global IP	–	3,131	–
Repurchase and cancellation of shares	22	–	–
Share based payment expense	–	–	47
Capital Reduction	–	–	5,609
At 30 September 2014	22	28,092	(4,937)

Capital reduction

On 23 October 2013, in accordance with Chapter 2, Part 13 of the Companies Act 2006 the Company passed a resolution to cancel the entire share premium of the Company, pursuant to a Solvency Statement made by the Directors on 18 October 2013. The share premium cancelled was £5,608,796.

NOTES TO THE FINANCIAL STATEMENTS continued

20. RESERVES continued

Merger reserve

The merger reserve arose on the acquisition of SQi3 Solutions Limited on 28 September 2012, Arria Data2Text Limited (formerly Data2Text Limited) on 25th October 2013 and Global IP Inc. on 25th October 2013. As the consideration consisted entirely of shares, the Company has taken advantage of merger relief under the Companies Act 2006 and not recorded the premium on these shares. The premium has been credited to the merger reserve.

Capital redemption reserve

The capital redemption reserve arose on repurchase and cancellation the 45,000,000 Ordinary B shares at a nominal value of £0.001 and reissued in its place, 23,165,488 Ordinary shares at a nominal value of £0.001. The resulting difference of £21,835 was credited to the capital redemption reserve.

Non-Controlling Interest

The non-controlling interest arose on the acquisition of Arria Data2Text Limited (formerly Data2Text Limited) on 1 May 2012 and on the acquisition of Global IP Inc., on 29 September 2012. The Group owned 20% of the issued share capital of Arria Data2Text Limited (formerly Data2Text Limited) and held the option to acquire the remaining 80% shareholding thus giving it control. Therefore a non-controlling interest in respect of the remaining 80% had been recognized to 30 September 2013. The Group owned 0% of the share capital of Global IP Inc., however it had entered into an agreement which provided the Group with the option to enter an exclusive license to the rights, placed restrictions on Global IP Inc. undertaking activities without the Company's consent and provided that once certain conditions were met the Company had an obligation to acquire Global IP Inc. Therefore de facto control was obtained.

On 25 October 2013, the Company concluded the acquisition of the remaining 80% of the share capital of Arria Data2Text Limited (formerly Data2Text Limited) over which it had an option.

Following the acquisition of Arria Data2Text Limited (formerly Data2Text Limited), the Company concluded the acquisition of the share capital Global IP Inc. (from Sharon Daniels, a former Director and Robert Craig a former Director) over which it had already had control at the balance date.

	Non-Controlling Interest (£000's)
At 1 October 2012	26,081
Share of loss of Arria Data2Text Limited (formerly Data2Text Limited)	(796)
Share of loss of Global IP Inc.	(881)
At 30 September 2013	24,404

	£
At 1 October 2013	24,404
Acquisition of Arria Data2Text Limited (formerly Data2Text Limited)	(22,926)
Acquisition of Global IP Inc.	(1,478)
At 30 September 2014	–

NOTES TO THE FINANCIAL STATEMENTS continued

21. OBLIGATIONS UNDER OPERATING LEASES

The future aggregate minimum lease payments under non cancellable operating leases are set out below:

	2014 Land & Buildings (£000's)	*2013 Land & Buildings (£000's)*
Group		
No later than one year	251	201
Later than one year, and not later than five years	322	468
Total	573	669

	2014 Land & Buildings (£000's)	*2013 Land & Buildings (£000's)*
Company		
No later than one year	166	170
Later than one year, and not later than five years	302	468
Total	468	638

22. FINANCIAL INSTRUMENTS

The Group has exposure to the following key risks related to financial instruments:

i. Market risk

ii. Credit risk

iii. Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated Financial Statements.

The Directors determine, as required, the degree to which it is appropriate to use financial instruments or other hedging contracts or techniques to mitigate risk. The main risk affecting such instruments is foreign currency risk which is discussed below.

The Group uses financial instruments including cash, loans and trade receivables and payables that arise directly from operations.

Due to the simple nature of these financial instruments, there is no material difference between book and fair values, discounting would not give a material difference to the results of the Group and the Directors believe that there are no material sensitivities that require additional disclosure.

Credit risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. The Group seeks to limit credit risk on liquid funds through trading only with counterparties that are banks with high credit ratings assigned by international credit rating agencies.

The Group's principal financial assets are bank balances, cash, trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. Receivables are regularly monitored and assessed for recoverability. For analysis of ageing of past due but not impaired receivables, refer to note 15.

NOTES TO THE FINANCIAL STATEMENTS continued

22. FINANCIAL INSTRUMENTS continued

Categories of financial instruments

	Group 30 September 2014 (£000's)	*Group 30 September 2013 (£000's)*	*Company 30 September 2014 (£000's)*	*Company 30 September 2013 (£000's)*
Loans and receivables				
Cash and cash equivalents	1,743	3,939	1,151	3,391
Trade and other receivables – current	724	1,435	4,562	2,247
Trade and other receivables – non-current	174	168	174	168
Financial Liabilities at amortised cost				
Trade and other payables	1,937	2,743	1,793	2,398
Borrowings – current	–	346	–	346

Market risk

i) Foreign currency risk

The Group undertakes transactions denominated in foreign currencies other than the functional currency of the Company and its UK operations, being GBP Sterling with exposure to exchange rate fluctuations. These transactions relate predominately in other currencies being US$ dollars, Euros, AUS$ and NZ$ dollars. No foreign exchange contracts were in place at 30 September 2014.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities were:

	Group 30 September 2014 (£000's)	*Group 30 September 2013 (£000's)*	*Company 30 September 2014 (£000's)*	*Company 30 September 2013 (£000's)*
Assets				
US$	920	3,795	328	3,276
Euro	1	–	–	–
NZ$	7	6	1	6
Liabilities				
US$	51	274	51	274
NZ$	24	29	365	29
AUS$	18	31	18	31
EUR	15	4	195	4

As at 30 September 2014, if the currency had weakened/strengthened by 5% against the pound sterling, with all else held constant, profit for the year would have been £26,778 lower/higher (2013: £108,898 lower/higher).

ii) Interest rate risk management

The Group can be exposed to interest rate risk where the Group borrows and deposits funds at both fixed and floating interest rates. Risk is managed by maintaining an appropriate mix between fixed and floating rate cash deposits and borrowings as acquired.

Interest rate sensitivity analysis

During the year the Group's borrowings were at fixed rates. All loans are from related parties (see note 24) and were repayable on demand at an interest rate of 5%.

NOTES TO THE FINANCIAL STATEMENTS continued

22. FINANCIAL INSTRUMENTS continued

The losses recorded by both the Group and the Company for the year ended 30 September 2014 would not materially change if market interest rates had been 1% higher/lower throughout the year and all other variables were held constant.

Liquidity risk management

Ultimate responsibility for liquidity management rests with management. The Group's practice is to regularly review cash needs and to place excess funds on fixed term deposits for periods not exceeding one month. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows.

The Directors have prepared a business plan and cash flow forecast for the year to 31 January 2016. The forecast contains certain assumptions about the level of future sales and the level of gross margins achievable. These assumptions are the Directors' current best estimate of the future development of the business.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment years. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest due repayment dates. The table shows both interest and principal cash flows.

	0-6 months (\$000's)	*6-12 months (\$000's)*	*Over 12 months (\$000's)*	*Total (\$000's)*
Group				
Trade and other payables	1,818	119	1	1,938
	1,818	119	1	1,938

	0-6 months (\$000's)	*6-12 months (\$000's)*	*Over 12 months (\$000's)*	*Total (\$000's)*
Company				
Trade and other payables	1,792	–	1	1,793
	1,792	–	1	1,793

Fair values

The Directors consider that the carrying amounts of financial assets and financial liabilities approximate their fair values.

Capital risk management

In managing its capital, the Group's primary objective is to maintain a sufficient funding base to enable working capital, research and development commitments and strategic investment needs to be met and therefore to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders. In making decisions to adjust its capital structure to achieve these aims, through new share issues, the Group considers not only its short term position but also its long term operational and strategic objectives.

The capital structure of the Group currently consists of cash and cash equivalents, loan notes, and equity comprising issued capital, reserves and retained earnings. The Group is not subject to any externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS continued

22. FINANCIAL INSTRUMENTS continued

Capital structure

	30 September 2014 (£000's)	*30 September 2013 (£000's)*
Group		
Cash and cash equivalents	1,743	3,939
Loan notes	–	346
Equity	23,474	4,922
Total	25,217	9,207

23. CONTINGENT LIABILITIES

The Directors are not aware of any material contingent liabilities.

24. RELATED PARTY TRANSACTIONS

Transactions with the Directors and other related parties during the year are detailed below:

Group

(a) Purchases of goods and services

	2014 (£000's)	*2013 (£000's)*
Purchases of services:		
Key management personnel	–	–
Close family members of key management personnel	–	247
Total	–	247

(b) Key management compensation

Key management includes Directors (executive and non-executive), the Chief Financial Officer, Chief Operating Officer, and Company Secretary. The compensation paid or payable to key management is shown below:

	2014 (£000's)	*2013 (£000's)*
Salaries and other short-term benefits	1,125	2,011
Company contributions to money purchase pension schemes	29	37
Post-employment benefits	–	–
Share-based payments	–	566
Total	1,154	2,614

NOTES TO THE FINANCIAL STATEMENTS continued

24. RELATED PARTY TRANSACTIONS continued

(c) Directors*

	2014 (£000's)	2013 (£000's)
Aggregate emoluments	948	1,827
Company contributions to money purchase pension scheme	28	30
Total	976	1,857

* Further information on Directors' emoluments can be found in the Directors' Report.

The highest paid Director received total emoluments of £414,792 (2013: £361,701), including pension contributions of £11,400 (2013: £8,000).

There were no options exercised in the year (2013: Nil). There were no amounts receivable under long term incentive schemes in the year (2013: Nil).

(d) Year-end balances arising from purchases of services

	2014 (£000's)	2013 (£000's)
Payables:		
Close family members of key management personnel	–	108
Total	–	108

At 30 September 2014, the Company owed Gerald Henry £Nil (2013: £88,951) by way of expenses incurred on behalf of the Company not yet reimbursed at 30 September 2014.

(e) Loans from related parties

	2014 (£000's)	2013 (£000's)
Loans from key management personnel:		
At 1 October 2013	346	330
Advanced during the year	–	–
Converted to Ordinary shares	(275)	–
Interest Forgiven	(24)	–
Repaid	(50)	–
Interest charged	3	16
At 30 September 2014	–	346
Loans from close family members of key management personnel:		
At 1 October 2013	–	–
Advanced during the year	–	16
Converted to Ordinary shares	–	–
Repaid during the year	–	(17)
Interest charged	–	1
At 30 September 2014	–	–

NOTES TO THE FINANCIAL STATEMENTS continued

24. RELATED PARTY TRANSACTIONS continued

The loan from key management personnel related to outstanding loans to the Company by Michael Mayell (former director) of £208,000 and Brian Henry (former director) of £117,000. The combined opening balance of £346,062 included accrued interest of £21,062.

On 20 December 2013 the Company allotted 281,250 Ordinary shares of £0.001 each at $1.60 per share and 281,250 Warrants over Ordinary shares of £0.001 each (with an exercise price of £1.33) to Gerald Henry for US$450,000, pursuant to the subscription agreement entered into prior to Admission of the Company to AIM and as set out in its Admission Document of 29 November 2013. Consideration for the subscription was satisfied by the conversion of US$450,000 of existing Arria loan notes which had been assigned to Gerald Henry from the note holders who are fellow shareholders, Brian Henry and Michael Mayell. As a gesture of continuing support, Gerald Henry forgave accrued interest attaching to the loan notes of US$40,323. Following the conversion of loan notes and forgiveness of accrued interest, the Company had £50,394 of loan notes outstanding which were all held by Gerald Henry. This was fully repaid for cash on 25 March 2014.

(f) Acquisitions from related parties

Acquisitions from close family members of key management personnel

There were no acquisitions from close family members of key management personnel in the year.

Acquisitions from key management personnel

On 11 September 2012, the Company entered into an agreement to acquire the entire share capital of Global IP Inc., by way of a share exchange agreement. Global IP Inc. is owned by Sharon Daniels (former Director) and Bob Craig (former Director). Global IP Inc. owns the exploitation rights of the SQM3 concept in the United States of America.

The consideration payable by the Company at closing was in the form of 5,077,754 B Preference shares with nominal value of £0.001 per share, at a fair value determined by the Board of Directors of the Company of US$1.00 per share at that time, giving a total consideration of £3,135,910. Sharon Daniels received 2,538,787 B Preference shares in consideration for her 50% economic interest in Global IP Inc. and the 10 Common Stock shares in Global IP Inc. that she owned immediately prior to the transaction. Bob Craig received 2,538,787 B Preference shares in consideration for his 50% economic interest in Global IP Inc. and the 90 Common Stock shares in Global IP Inc. that he owned immediately prior to the transaction. This transaction closed on the 25 October 2013.

Ian Davy (a former director) was a shareholder in Arria Data2Text Limited (formerly Data2Text Limited) and owned 18.4% of Arria Data2Text Limited (formerly Data2Text Limited) prior to the acquisition of the remaining 80% of Arria Data2Text Limited (formerly Data2Text Limited) by the Company. On the successful conclusion of the acquisition of the remaining 80% of Arria Data2Text Limited (formerly Data2Text Limited) by the Company, Ian Davy received his proportion of the consideration payable to the shareholders of Arria Data2Text Limited (formerly Data2Text Limited) by the Company. The equity portion of the consideration eventually paid for the acquisition of the remaining 80% of Arria Data2Text Limited (formerly Data2Text Limited) included in the consolidated Financial Statements of the Company was a cash consideration of £3,125,000 and 23,165,488 Ordinary shares. On this basis Ian Davy received £718,750 in cash and 5,328,062 Ordinary shares in the Company. This transaction closed on the 25 October 2013.

Following the conclusion of the acquisition of the 80% of Arria Data2Text Limited (formerly Data2Text Limited) that the Company did not own on 25 October 2013, the Company has recharged Arria Data2Text Limited (formerly Data2Text Limited) £400,623 for the provision of services relating to research and development that had been incurred in prior periods by the Company on behalf of Arria Data2Text Limited (formerly Data2Text Limited) in connection with qualifying research and development activities. It was always the intention of the Directors to recharge Arria Data2Text Limited (formerly Data2Text Limited) following the successful conclusion of the acquisition of the 80% of Arria Data2Text Limited (formerly Data2Text Limited) that the Company did not already own.

NOTES TO THE FINANCIAL STATEMENTS continued

24. RELATED PARTY TRANSACTIONS continued

(g) Share transactions with related parties

The following shares were acquired by related parties during the year:

	2014 Number (000's)	*2014 (£000's)*	*2013 Number (000's)*	*2013 (£000's)*
Purchases by key management personnel:				
Ordinary shares	–	–	2,300	2
Ordinary B shares	15,984	15	–	–
Class A Preference shares	109	109	–	–
Class B Preference shares	2,539	3	–	–
Total	18,632	127	2,300	2
Purchases by close family members of key management personnel:				
Ordinary shares	–	–	–	–
Class A Preference shares	–	–	40	32
Class B Preference shares	–	–	–	–
Total	–	–	40	32

Company

The following transactions with subsidiaries occurred during the year:

During the year the Company paid Arria Data2Text Limited (formerly Data2Text Limited) £247,984 (2013: £764,508) for technology transfer services and strategy success fees. During the year Company also provided loan funding totalling £299,176 to fund the operating costs of that subsidiary.

During the year Company provided loan funding totalling £1,402 (2013: £104,792) to SQi3 Solutions Limited to fund the development of a demonstrator prototype application of the SQM3 product.

During the year the Company provided loan funding totalling £102,214 (2013: £76,749) to Arria NLG B.V to fund the operating costs of that subsidiary.

During the year the Company provided loan funding totalling £2,449 (2013: £Nil) to Global IP Inc to fund the operating costs of that subsidiary.

During the year the Company provided loan funding totalling £49,806 (2013: £Nil) to Arria NLG (USA) Inc to fund the establishment and operating costs of that subsidiary.

During the year the Company provided loan funding totalling £344,834 (2013: £Nil) to Arria NLG (NZ) Limited to fund the establishment and operating costs of that subsidiary.

Following the conclusion of the acquisition of the 80% of Arria Data2Text Limited (formerly Data2Text Limited) that the Company did not own on 25 October 2013, the Company has recharged Arria Data2Text Limited (formerly Data2Text Limited) £400,623 for the provision of services relating to research and development that had been incurred in prior periods by the Company on behalf of Arria Data2Text Limited (formerly Data2Text Limited) in connection with qualifying research and development activities. It was always the intention of the Directors to recharge Arria Data2Text Limited (formerly Data2Text Limited) following the successful conclusion of the acquisition of the 80% of Arria Data2Text Limited (formerly Data2Text Limited) that the Company did not already own.

NOTES TO THE FINANCIAL STATEMENTS continued

25. SUBSEQUENT EVENTS

Agreement with Farmlink

On 13 October 2014 the Company announced a new framework development agreement with FarmLink, LLC.

The Agreement provides for a new application to use NLG technology for narrative summaries on FarmLink's TrueHarvest data. These narrative reports will help FarmLink's farmer clients and their agronomic advisors identify, analyse and optimise field potential. TrueHarvest is the first and only yield benchmarking service that accurately shows farmers the full range of performance potential for their fields and management zones to help them measure the effectiveness of inputs and other prescriptive farming practices, as well as to make resource allocation decisions. When farmers compare their yield information to the benchmark, a gap map is created that shows the full range of potential performance improvement. Arria's reporting application will take the information used to build the gap map and deliver agronomic insights in natural language reporting.

FarmLink will pay Arria for application scoping, implementation and deployment. The fees for annual licensing and other business terms have yet to be finalized.

Proof of Concept Agreement with a Leading Systems Provider to the Aviation Industry

On 14 October 2014 the Company announced a new collaborative proof of concept agreement with a leading provider of power systems controls intelligence to the aviation industry.

This agreement provides for a pilot application to use Arria's NLG technology for narrative summaries on the data generated by on-wing turbine engines. These data driven summaries will enable airline operations teams to further optimise their maintenance or refurbishment of jet engines.

The project should result in the more efficient handling of the vast amounts of inflight engine performance data, enabling the maintenance programmes to be conducted with greater efficiency and at a lower cost for both the service provider and the airline operators. Successful completion and acceptance of the pilot NLG application could lead to further development, deployment and licensing agreements and new revenue streams for Arria.

Draw Down of Loan Funding

On 28 November 2014 the Company received the first tranche of loan funding of £1.232 million from Ikonic Fund, further details of which are disclosed in note 17.

WWW.ARRIA.COM

ARRIA NLG plc

Space One
1 Beadon Road
Hammersmith
London
W6 0EA
United Kingdom

+44 20 7100 4540

WWW.ARRIA.COM