ARRIA

ARRIA NLG plc

Condensed Interim Financial Statements
for the Six Months Ended 31 March 2015

Company number 07812686

NATURAL LANGUAGE GENERATION

CONTENTS

COMPANY INFORMATION

Directors	Stuart Rogers Simon Small Wayne Thornhill Paul Kidney Michael Higgins
Company Secretary	Thomas Makeig
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Company Number	Registered in England and Wales number 07812686
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INTERIM REVIEW REPORT

HIGHLIGHTS

Operational

- Number of clients contributing to revenue in the period has more than doubled to 5 (HY14: 2)
- Total new client engagements in period increases is running at an average of 1 per month
- Total new client engagements in period is running at an average of 1 per month
- Client engagement roster strengthened in Oil & Gas with a proof of concept for major O&G Services company and Heads of Agreement with BG Group announced in the period
- Client reach broadens beyond Oil & Gas and Meteorology into Agronomy, Aviation, Insurance and Assurance
- First sales of NLG Toolkit recorded in the period directly into the financial services industry
- IBM Watson™ Partnership Agreement announced in the period by IBM

Financial

- Revenues up 174% to £904k (£330k HY14)
- Operating costs excluding amortization and share based payment charges down 41% to £2.3 million (£3.9 million HY14)
- Operating loss excluding amortization and share based payment charges down 51% to £1.9 million (£3.9 million HY14)
- Concluded private placing raising £408k from existing shareholders in February 2015
- Concluded £3.080 million convertible loan note, 1 October 2014
- Subsequent to the period end concluded further fundraising of £1.902 million by way of convertible loan notes and issue of unlisted warrants (see note 15 for further details)

Commenting on the results, Stuart Rogers Arria Chairman and Chief Executive said "We have continued to make good and steady progress across the first half of the financial year in delivering the Company's strategic plan. It is particularly pleasing to see the uptick in new client engagements which has been running at an average of one per month since the beginning of this fiscal year, and also new clients contributing to revenues in the period which has more than doubled. The broadening of our reach into new sectors to build on our historic focus of Oil & Gas and Financial Services can only serve the Company well. Continued traction and delivery of new client engagements and the transitioning of those clients through our engagement process into licensing revenues will be the driving focus during the second half of 2015 and beyond. I am delighted we have concluded this next stage of our capital raising, which provides stability and support to our current operations as it directly addresses our near to medium-term working capital requirements. Such strong support of Arria NLG's business direction is indicative of the participating shareholders' belief in the long term value proposition of Arria's Natural Language Generation technology".

CHAIRMAN'S STATEMENT

I am pleased to present our financial results for the six months ending 31 March 2015 and to update you on our progress made during the first half of this financial year. Whilst the loss of the Shell contract in April 2015 was a serious and unexpected setback to the business it must not overshadow the significant progress that has been made during the period and beyond in extending and strengthening both the client base and product road map that will deliver profitability and our strategic goals over the coming years. The continued commitment and support from Arria's shareholder group is testament to their ongoing belief in the medium and long term value proposition of the Company's NLG capabilities and in particular of Arria's positioning within the market as the dominant force in realising the commercial potential of Natural Language Generation.

Commercial Progress & Business Update

As Arria developed its plan going into 2014, our forecasts assumed that the Company would gain one new client engagement per quarter going forward. As it has turned out, since the beginning of this financial year, we have achieved on average a pace of approximately one new client engagement per month. This is a good and needed

INTERIM REVIEW REPORT continued

diversification of our business. The addition of new clients and contracts during late 2014 into 2015 is an offset to an Oil & Gas industry coping with the impact of a dramatically reduced price of its core product. It was also encouraging to see the number of clients contributing to revenues in the period has more than doubled from two to five when compared to the prior period, whilst the total number of client relationships has increased from three at the start of the financial year to ten and counting at the time of releasing these interim results during the first half of the financial year, we have added two financial services companies (a global bank and a large insurance company), two software partnerships, including one with IBM Watson, an aviation manufacturer with diagnostic reporting focused on jet aircraft engines, a US-based agribusiness called Farmlink, an expansion of the UK Met Office applications and a heads of agreement with BG Group indicating their state of negotiations with Arria.

Between 1 April 2015 and the date of releasing these interim results we have continued to deliver strong new client engagement success. We have deepened our engagements in Meteorology with the relationship with Meteo Group to develop a weather report module for two regions in Europe and extended our repertoire to encompass search engine optimisation through a project with the UK Met Office aimed at enhancing the quality of content deployed through its digital channels. We have broadened our offering and reach within financial services through a pilot engagement with the UK arm of a global financial services group to demonstrate Arria's report writing capabilities in parts of the client's reporting ecosystem, illustrates the broadening of our offering and of our reach. Our most recent agreement was a pilot engagement with a major global online travel company to use NLG to create tailored responses to travel queries from online booking platforms and websites.

The state of the forward client prospecting pipeline is robust, and we are moving prospects through their component stages of client engagement faster in order to achieve revenues earlier. Arria targets clients who have multiple NLG use cases to develop a deeper, long term relationship, to one where we constantly move through a cycle of engaging around a new use case, configuring and deploying that use case, establishing a license and then repeating the cycle. Even in light of the severe budgetary pressures on Oil & Gas companies, including at Shell and despite the set back of the termination of our contract with Shell, Oil & Gas remains an opportunity: even as the Oil & Gas companies slash expenses and personnel, their need for innovative technologies like those of Arria NLG addressing uptime, productivity and safety, remain crucial. Our focus in Oil & Gas initially was on complex topside rotating equipment in deep-water operations, but has expanded to include sub-sea systems, wells, leak detection reporting, control systems and drilling. Aviation manufacturing is a straight-forward extension of monitoring complex rotating equipment. Financial Services is a natural category for Arria NLG, particularly bank and insurance companies working through issues in risk management, management reporting, and client investment account reporting.

IBM Watson™ Partnership

IBM Watson™ is a growing business within one of the world's largest technology companies. IBM Watson™ and Arria NLG are complementary rather than competing technologies, and last year IBM sought out Arria to join IBM Watson's Partnership Programme. Arria completed its first IBM Watson™ application recently, one focused on leak detection for chemical plants and oil refineries.

Arria NLG was selected by IBM to exhibit at the World of Watson event in Brooklyn New York on 5-6 May 2015. IBM Watson has over 270 partners, and we were one of only 21 partners who were invited by IBM to demonstrate our IBM Watson™ application at the exclusive event with 1200 attendees.

The Arria NLG application, named 'POLUS', is a computing solution that provides actionable insights to engineers in chemical plants and refineries with its two components:

1. **Real-time reporting – powered by Arria NLG**: using Natural Language Generation (NLG) to turn data into text, the system embodies the expertise of the smartest Oil and Gas engineers to write informative reports about systems behaviour in less than 60 seconds.

2. **Intelligent query – powered by IBM Watson:** gives instant answers to questions about regulatory legislation.

INTERIM REVIEW REPORT continued

NLG Software Development Toolkit (SDK)

Arria has developed a robust NLG developer toolkit that we expect will have a significant positive impact on the Company's ability to grow its business, revenues and bottom line. The toolkit was created to improve our own internal operations by automating – and thereby accelerating – the development of applications for the Arria NLG Engine. For example, the first Farmlink application was deployed within only 12 weeks after the first planning meetings with the client. The toolkit allows us to better align the timing of gaining new clients and hiring new developers. Developers can become productive within Arria much faster, as the toolkit handles many of the NLG aspects of the applications being developed.

The creation of the toolkit now allows us to significantly reduce the growth of the cost curve going forward. The majority of the expense growth in our forecasts is related to the hiring of new developers as we gain new clients and expand work within existing clients. While the team evolving the core technology of the Arria NLG Engine remains in Aberdeen, the bulk of our future hiring of developers will shift to a lower cost market. The quality of the developers will remain high, and the toolkit will ensure that the quality, integrity and efficiency of our code development across all NLG applications (client-focused and our core technology) are of the highest standards.

A further benefit of the NLG toolkit is that it is separately-licensable as a stand alone product. Having already launched the SDK product offering in a beta form in the period we will be deploying a shrink wrapped packaged product offering later in the year. Those large organisations with a "do-it-yourself" mindset who are well supported by their internal IT functions, will be able to license the Arria NLG toolkit to build their own NLG reports. They will license the technology, purchase the training, and potentially outsource the development of some applications back to Arria to address their growing demands for NLG reports.

Future Commercial Direction

In terms of acceleration of client engagements and reducing the time from initial engagement to first and recurring revenue generation, focus and business development will be invested in a number of key areas:

- to enhance the Company's development toolkit to take it to the next level of robust functionality enabling the Company to further market the toolkit for licensing to third parties, which will be starting late this year;
- to develop shrink-wrapped packaged natural language generation (NLG) applications that help solve specific issues, licensed to clients in specific industries. Of these packaged NLG applications, several are in the planning stages – in financial services, including insurance management reporting, accounting and process automation, and in media/advertising, including campaign analysis. The Company expects that one of these will be available for marketing and licensing later this year.
- to invest in Arria's existing partnership with IBM Watson, both progressing the current application focused on the Oil & Gas industry, and also developing other applications that run off the IBM Watson platform.

Arria's business development and sales will expand to deliver on the above developments in our product offerings. We will continue to license to global industrial clients to help monitor their equipment and critical operations. Expanded focus is on business insight systems where narrative is a key component. Business process automation, where critical staff are either hard to find or hard to fund, is part of this sales expansion as well. And, as previously mentioned, there will be the NLG Toolkit, Arria's software development toolkit, for those clients who wish to develop their own NLG systems.

The sales force will divide into three coordinated teams, 1) Platform Sales, which to date has supported the core of our activity of configuring specific use cases for large global clients, 2) Product Sales which will market a higher velocity of shrink-wrapped and Software as a Service (SaaS)-delivered NLG products that require little configuration in order to deploy, and 3) Channel Sales which will focus on the NLG Toolkit, and on sales through partnerships and Value-added Resellers (VARs).

INTERIM REVIEW REPORT continued

Financial Review

The Group continued to invest in and execute its strategic plan during the first half of the fiscal year. Key highlights are illustrated below:

- Revenues increased by 173% to £904k (£330k HY14). The increase primarily reflected the full impact of the 2014 Shell contract in the current period compared to the same period in the prior year. It was also encouraging to see the number of clients contributing to revenues in the period double from two to four when compared to the prior period.
- Operating costs excluding amortisation and share based payments charges reduced by 41% to £2.3 million (£3.9 million HY14). The reduction reflects a combination of the impact of the reduction in non-recurring transaction costs relating to the flotation that concluded in the prior period along with the right-sizing of the operating cost base following the flotation.
- Average net monthly costs during the period, excluding non-recurring transaction related costs, amortisation, depreciation and share based payments charges were £325k (£521k HY14) representing a 37% decrease against the same period in the prior year
- Average staff numbers for the period was 49 (54 HY14). At the balance sheet date, c.65% of staff were involved in the delivery side of the business (50% HY14). The percentage of total staff involved in delivery will increase as staff numbers grow.
- During the period the Company had drawn down on the first tranche of convertible loan funding of £1.232 million out of a total facility of £3.080 million made available by The Ikonic Fund SAC (Bahamas) Limited (“Ikonic”), at 30 September 2014
- At the balance sheet date the Group had £1.0 million net cash on hand and net assets of £21.3 million
- Subsequent to the period end, the Company agreed to receive early payment of the £1.848 million of loan notes from Ikonic still to be drawn down under subscription agreement entered in to on 30 September 2014. These amounts were not due to be received by the Company in installments on or before 31 December 2015 and 31 March 2016
- Subsequent to the period end the Company successfully concluded a subscription for an additional £1.902 million of convertible loan notes of £1.00 each with certain of the Company’s existing shareholders, whose principle terms were as follows;
  - The new Convertible Loan Notes will mature at the latest on 31 October 2019 and are convertible, at the election of the holder at any time during the term, into new ordinary shares of £0.001p each in the Company at a price of £0.40p per new ordinary share
  - The new Convertible Loan Notes will bear interest of 5.0% per annum over the Bank of England base rate (currently 0.5%). Interest will be payable annually in cash or, at the Company’s election, by conversion in to new ordinary shares on the same terms at the Convertible Loan Notes issued to Ikonic at 30 September 2014
  - Purchasers of the £1.902 million of Convertible Loan Notes will be issued with approximately 5.972 million unlisted warrants to subscribe for New Ordinary Shares in the Company (the “B Warrants”) and in consideration for accelerating the payment of the balance of the September 2014 convertible loan notes, Ikonic will be issued with 6 million B Warrants. The B Warrants will be exercisable at 12p per new ordinary share at any time until 31 October 2019. An additional 1 million B Warrants will be issued to defray some of the costs incurred by one of the financial advisers who helped structure and organize this capital programme
  - The Company has agreed to pay certain costs which Ikonic will incur in making the early payments under the Ikonic Notes
  - The new Convertible Loan Notes loan notes would mature on the earlier of conversion or 31 October 2019

INTERIM REVIEW REPORT continued

Going Concern

In considering the ability of the Group to meet its financial obligations as they fall due, the Board has considered the expected trading performance of the Group, including working capital requirements and the level of overheads to be funded. The Directors are satisfied based on the supporting business plan and cash flow, following the successful conclusion of the recent issue of convertible loan notes and expectation of successful conclusion of further equity fundraising the Group has adequate resources to continue in operational existence for the foreseeable future and accordingly, continue to adopt the going concern basis in preparing the financial statements and the Directors remain confident in the future prospects of the Group.

Outlook and prospects

As we move into the second half of this financial year and beyond we are focused on the opportunity, determined to grow and succeed and committed to expanding on the commercial progress achieved in the first half of the year. The depth and breadth of client traction realised in the last eight months with client engagements increasing from two to ten is a vindication of our engagement strategy and indicates that large global organisations see real value in the business case for NLG and Arria NLG as the partner to deliver that business case. Our offering is further strengthened with the first commercial deployment of the NLG Toolkit that is already underway and the launch of our first product later in the year.

Arria NLG has sales and marketing personnel in the UK, the US and the Pacific Rim. We are actively seeking client engagements and new NLG applications in the oil & gas industry, in regulatory defence and financial services, in power and water systems, mining, healthcare and with data and application platform partners. The Group and its core technology are well positioned to rapidly and increasingly capitalise on this pipeline of potential clients. Our client prospects are supported by the growing recognition of the significant challenges large enterprises face with the growth size and complexity of their data repository, and the ways which Arria's NLG technologies meet and overcome these challenges.

I would like to thank the entire Arria team for its mastery and creative efforts and especially thank our shareholders for their unwavering support of our global vision to become the leading global provider of NLG applications through commercialising the opportunities in front of us.

Stuart Rogers
Chairman and Chief Executive Officer
29 June 2015

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Notes	*Six months ended 31 March 2015 Unaudited (£000's)*	*Six months ended 31 March 2014 Unaudited (£000's)*	*Year ended 30 September 2014 Audited (£000's)*
Revenue	6	904	330	787
Cost of sales		(533)	(283)	(655)
Gross profit		371	47	132
Administrative expenses				
– Share-based payments		(31)	(61)	(47)
– Amortisation of intangibles		(705)	(1,412)	(2,762)
– Impairment of intangibles		–	–	(1,653)
– Other administrative costs		(2,314)	(3,929)	(6,607)
Total administrative expenses		(3,050)	(5,402)	(11,069)
Operating loss	5	(2,679)	(5,355)	(10,937)
Finance income		–	–	24
Finance expense		(24)	20	(2)
Loss before tax		(2,703)	(5,335)	(10,915)
Taxation credit	7	178	146	305
Loss after tax for the period		(2,525)	(5,189)	(10,610)
Other Comprehensive Income				
Items that may be subsequently reclassified to profit or loss:				
Currency translation differences		(26)	–	12
Total comprehensive loss for the period		(2,551)	(5,189)	(10,598)
Loss per share				
Basic and diluted loss per share	8	(0.02)p	(0.05)p	(0.11)p

The results reflected above relate to continuing activities.

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 March 2015 Unaudited (£000's)	As at 31 March 2014 Unaudited (£000's)	As at 30 September 2014 Audited (£000's)
ASSETS				
Non-current assets				
Goodwill		14,353	14,353	14,353
Other intangible assets	9	9,443	13,125	10,148
Property, plant and equipment	10	158	230	202
Trade and other receivables		174	175	174
		24,128	27,883	24,877
Current assets				
Trade and other receivables		688	298	724
Cash and cash equivalents		1,016	4,141	1,743
		1,704	4,439	2,467
TOTAL ASSETS		25,832	32,322	27,344
EQUITY AND LIABILITIES				
Equity attributable to holders of the parent				
Ordinary share capital	12	104	103	103
Share premium	12	6,764	6,429	6,429
Merger reserve	13	28,092	28,092	28,092
Other reserves		8	22	34
Retained loss		(13,678)	(5,749)	(11,184)
TOTAL EQUITY		21,290	28,897	23,474
Non-current liabilities				
Deferred tax		1,799	2,066	1,933
Current liabilities				
Trade and other payables		1,488	1,359	1,937
Borrowings	11	1,255	–	–
		2,743	1,359	1,937
TOTAL LIABILITIES		4,542	3,425	3,870
TOTAL EQUITY AND LIABILITIES		25,832	32,322	27,344

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

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

	Notes	Share Capital ($000's)	Share Premium ($000's)	Merger Reserve ($000's)	Other Reserves ($000's)	Accumu-lated Losses ($000's)	Total ($000's)	Non-Controlling Interest ($000's)	Total Equity ($000's)
As at 1 October 2013 (Audited)		66	4,222	3,131	–	(2,498)	4,921	24,404	29,325
Issue of shares	12	59	8,880	24,961	–	–	33,900	–	33,900
Repurchase and cancelation of shares	12	(22)	–	–	22	–	–	–	–
Share issue transaction costs	12	–	(1,064)	–	–	–	(1,064)	–	(1,064)
Share based payment expense		–	–	–	–	61	61	–	61
Acquisition of non-controlling interests		–	–	–	–	(3,732)	(3,732)	(24,404)	(28,136)
Capital reduction	12	–	(5,609)	–	–	5,609	–	–	–
Total contributions by owners of the company		37	2,207	24,961	22	1,938	29,165	(24,404)	4,761
Total comprehensive loss		–	–	–	–	(5,189)	(5,189)	–	(5,189)
As at 31 March 2014 (Unaudited)		103	6,429	28,092	22	(5,749)	28,897	–	28,897
As at 1 April 2014 (Unaudited)		103	6,429	28,092	22	(5,749)	28,897	–	28,897
Share based payment expense		–	–	–	–	(14)	(14)	–	(14)
Total contributions by owners of the company		–	–	–	–	(14)	(14)	–	(14)
Loss for the year		–	–	–	–	(5,421)	(5,421)	–	(5,421)
Other comprehensive income/(loss)		–	–	–	12	–	12	–	12
Total comprehensive loss		–	–	–	12	(5,421)	(5,409)	–	(5,409)
As at 30 September 2014 (Audited)		103	6,429	28,092	34	(11,184)	23,474	–	23,474
As at 1 October 2014 (Audited)		103	6,429	28,092	34	(11,184)	23,474	–	23,474
Issue of shares	12	1	407	–	–	–	408	–	408
Share issue transaction costs	12	–	(72)	–	–	–	(72)	–	(72)
Share based payment expense		–	–	–	–	31	31	–	31
Total contributions by owners of the company		1	335	–	–	31	367	–	367
Loss for the year		–	–	–	–	(2,525)	(2,525)	–	(2,525)
Other comprehensive income/(loss)		–	–	–	(26)	–	(26)	–	(26)
Total comprehensive loss		–	–	–	(26)	(2,525)	(2,551)	–	(2,551)
As at 31 March 2015 (Unaudited)		104	6,764	28,092	8	(13,678)	21,290	–	21,290

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS

	Notes	*Six months ended 31 March 2015 Unaudited (£000's)*	*Six months ended 31 March 2014 Unaudited (£000's)*	*Year ended 30 September 2014 Audited (£000's)*
Cash flows from operating activities				
Loss before taxation		(2,703)	(5,355)	(10,915)
Adjustments for:				
Depreciation of plant and equipment	10	53	34	70
Loss on sale of assets		–	–	4
Interest received		–	–	(24)
Interest paid		24	–	2
Amortisation of intangible assets	9	705	1,412	2,762
Impairment of intangibles		–	–	1,653
Tax credit received		45	–	26
Share based payments		31	61	47
Operating cash outflows before movements in working capital		(1,845)	(3,848)	(6,375)
Decrease/(Increase) in trade and other receivables		57	1,130	57
(Decrease)/Increase in trade and other payables		(554)	(1,845)	(697)
Net cash used in operating activities		(2,342)	(4,563)	(7,015)
Cash flows from investing activities				
Acquisition of subsidiary undertaking		–	(3,125)	(3,125)
Purchase of plant and equipment	10	(9)	(15)	(29)
Proceeds from sale of plant and equipment		–	–	2
Purchase of intangible assets	9	–	(55)	(81)
Net cash used in investing activities		(9)	(3,195)	(3,233)
Cash flows from financing activities				
Proceeds from loan notes		1,232	–	–
Repayment of loan notes and other debt		–	(325)	(50)
Interest paid		(1)	(1)	–
Share issue transaction costs		(92)	–	(416)
Proceeds from issue of ordinary and preference shares	12	408	8,416	8,614
Net cash from financing activities		1,547	8,090	8,148
Net (decrease)/increase in cash and cash equivalents		(804)	332	(2,100)
Cash and cash equivalents at the beginning of the period		1,743	3,939	3,939
Exchange gains/(losses) on cash and cash equivalents		77	(130)	(96)
Cash and cash equivalents at end of the period		1,016	4,141	1,743

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 MARCH 2015

1. GENERAL INFORMATION

The condensed interim financial statements are for ARRIA NLG plc (the Company) and its controlled entities (the Group).

The Group develops software that provides Natural Language Generation ("NLG") services and SaaS (Software as a Service) 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, United Kingdom.

These condensed interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 September 2014 were approved by the directors on 11 December 2014 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, however did contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. These condensed interim financial statements have not been reviewed or audited.

2. BASIS OF PREPARATION

These condensed interim financial statements for the six months ended 31 March 2015 have been prepared using recognition and measurement principles of International Financial Reporting Standards ("IFRS") as adopted by the European Union and the AIM rules for Companies. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 September 2014, which have been prepared in accordance with IFRSs as adopted by the European Union. As permitted by AIM rules, the Group has not applied IAS34 'Interim reporting' in preparing this interim report.

Going Concern

The Directors have prepared a detailed business plan and cash flow forecast for the period to 30 June 2016. The forecast contains certain assumptions about the level of future sales and the Group's operating performance. In considering the ability of the Group to meet its financial obligations as they fall due, the Board has considered the expected trading performance of the Group, including working capital requirements and the level of overheads to be funded.

The Directors are satisfied based on the supporting business plan and cash flow, and expectation of further equity fund raising the Group has adequate resources to continue in operational existence for the foreseeable future and accordingly, continue to adopt the going concern basis in preparing the financial statements.

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year. None of the new standards which were applicable for the first time in the period commencing 1 October 2014 have had a material impact on the financial statements. There are no new standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

4. ESTIMATES

In preparing these Condensed interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 September 2014.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS continued

5 OPERATING LOSS

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

	Six months ended 31 March 2015 Unaudited (£000's)	*Six months ended 31 March 2014 Unaudited (£000's)*	*Year ended 30 September 2014 Audited (£000's)*
Employee costs	2,200	2,184	4,777
Operating lease rentals	130	139	258
Depreciation charge	53	34	70
Research and development*	430	478	32
Foreign exchange losses/(gains)	(120)	258	261
Legal and professional fees	199	708	1,089

*Research and development costs contain £415,126 of employee related costs

6. 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 are head office costs which cannot be allocated to the segment.

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

Revenue	*Six months ended 31 March 2015 Unaudited (£000's)*	*Six months ended 31 March 2014 Unaudited (£000's)*	*Year ended 30 September 2014 Audited (£000's)*
Provision of computer software	904	330	787
Total	904	330	787

Loss before tax	*Six months ended 31 March 2015 Unaudited (£000's)*	*Six months ended 31 March 2014 Unaudited (£000's)*	*Year ended 30 September 2014 Audited (£000's)*
Provision of computer software	(1,762)	(1,751)	(5,188)
Corporate costs	(941)	(3,584)	(5,727)
Total	(2,703)	(5,335)	(10,915)

Assets	*As at 31 March 2015 Unaudited (£000's)*	*As at 31 March 2014 Unaudited (£000's)*	*As at 30 September 2014 Audited (£000's)*
Provision of computer software	25,571	28,268	26,072
Corporate costs	261	4,054	1,272
Total	25,832	32,322	27,344

NOTES TO THE CONDENSED FINANCIAL STATEMENTS continued

6. SEGMENT INFORMATION (continued)

Entity-wide information

Total revenue from activities by geographical area is detailed below:

Revenue by geography

	Six months ended 31 March 2015 Unaudited (£000's)	*Six months ended 31 March 2014 Unaudited (£000's)*	*Year ended 30 September 2014 Audited (£000's)*
Revenue derived from the United States	862	301	749
Revenue derived from the Rest of World	42	29	38
Total Revenue	904	330	787

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

	Six months ended 31 March 2015 Unaudited (£000's)	*Six months ended 31 March 2014 Unaudited (£000's)*	*Year ended 30 September 2014 Audited (£000's)*
Customer A – United States	807	301	749
Other Customers – Rest of World	97	29	38
Total Revenue	904	330	787

7. INCOME TAX

Income tax credit is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The average UK annual tax rate used for the year to 30 September 2014 was 22%. The UK tax rate for the six months ended 31 March 2015 was 21%.

8. 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 Arria NLG plc. Details of the earnings and weighted average number of ordinary shares used in each calculation are set out below. As the Group is loss-making, share options in issue are anti-dilutive and therefore diluted loss per share is equal to the basic loss per share.

	Six months ended 31 March 2015 Unaudited (£000's)	*Six months ended 31 March 2014 Unaudited (£000's)*	*Year ended 30 September 2014 Audited (£000's)*
Loss attributable to owners of the parent	(2,525)	(5,189)	(10,610)
Weighted average number of shares	*Number (000's)*	*Number (000's)*	*Number (000's)*
For basic and diluted loss per share	102,952	99,182	99,182
Basic and diluted loss per share	(0.02)p	(0.05)p	(0.11)p

NOTES TO THE CONDENSED FINANCIAL STATEMENTS continued

9. OTHER INTANGIBLE ASSETS

	Intellectual property (£000's)	*Capitalised development costs (£000's)*	*Total other intangible Assets (£000's)*
Cost			
At 1 October 2013 (Audited)	19,032	573	19,605
Additions	–	55	55
At 31 March 2014 (Unaudited)	19,032	628	19,660
At 1 April 2014 (Unaudited)	19,032	628	19,660
Additions	–	26	26
At 30 September 2014 (Audited)	19,032	654	19,686
At 1 October 2014 (Audited)	19,032	654	19,686
At 31 March 2014 (Unaudited)	19,032	654	19,686
Accumulated amortisation			
At 1 October 2013 (Audited)	5,123	–	5,123
Amortisation	1,412	–	1,412
At 31 March 2014 (Unaudited)	6,535	–	6,535
At 1 April 2014 (Unaudited)	6,535	–	6,535
Amortisation	1,315	35	1,350
Impairment expense	1,653	–	1,653
At 30 September 2014 (Audited)	9,503	35	9,538
At 1 October 2014 (Audited)	9,503	35	9,538
Amortisation	533	172	705
At 31 March 2015 (Unaudited)	10,036	207	10,243
Carrying amount			
At 1 October 2013 (Audited)	13,909	573	14,482
At 31 March 2014 (Unaudited)	12,497	628	13,125
At 1 April 2014 (Unaudited)	12,497	628	13,125
At 30 September 2014 (Audited)	9,529	619	10,148
At 1 October 2014 (Audited)	9,529	619	10,148
At 31 March 2015 (Unaudited)	8,996	447	9,443

The intangible assets arose on the acquisition of Data2Text Limited on 1 May 2012, SQi3 Solutions Limited on 28 September 2012 and Global IP Inc., on 29 September 2012.

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 CONDENSED FINANCIAL STATEMENTS continued

10. PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment (£000's)	*Leasehold Improvements (£000's)*	*Office Equipment (£000's)*	*Furniture & Fittings (£000's)*	*Total (£000's)*
Cost					
At 1 October 2013 (Audited)	135	104	10	76	325
Additions	9	–	–	6	15
At 31 March 2014 (Unaudited)	144	104	10	82	340
At 1 April 2014 (Unaudited)	144	104	10	82	340
Additions	14	–	–	–	14
Disposals	(1)	–	–	(7)	(8)
At 30 September 2014 (Audited)	157	104	10	75	346
At 1 October 2014 (Audited)	157	104	10	75	346
Additions	9	–	–	–	9
Disposals	(1)	–	–	–	(1)
At 31 March 2015 (Unaudited)	165	104	10	75	354
Accumulated depreciation					
At 1 October 2013 (Audited)	39	21	2	14	76
Depreciation expense	18	8	1	7	34
At 31 March 2014 (Unaudited)	57	29	3	21	110
At 1 April 2014 (Unaudited)	57	29	3	21	110
Depreciation expense	21	9	1	5	36
Depreciation on disposals	(1)	–	–	(1)	(2)
At 30 September 2014 (Audited)	77	38	4	25	144
At 1 October 2014 (Audited)	77	38	4	25	144
Depreciation expense	34	7	2	10	53
Depreciation on disposals	(1)	–	–	–	(1)
At 31 March 2015 (Unaudited)	110	45	6	35	196
Carrying amount					
At 1 October 2013 (Audited)	96	83	8	62	249
At 31 March 2014 (Unaudited)	87	75	7	61	230
At 1 April 2014 (Unaudited)	87	75	7	61	230
At 30 September 2014 (Audited)	80	66	6	50	202
At 1 October 2014 (Audited)	80	66	6	50	202
At 31 March 2015 (Unaudited)	55	59	4	40	158

NOTES TO THE CONDENSED FINANCIAL STATEMENTS continued

11. BORROWINGS

	As at 31 March 2015 Unaudited (£000's)	*As at 31 March 2014 Unaudited (£000's)*	*As at 30 September 2014 Audited (£000's)*
Loan notes	1,255	–	–
Total	1,255	–	–

Movements in borrowings are analysed as follows:

	(£000's)
At 1 October 2013 (Audited)	346
Converted to ordinary shares	(275)
Interest forgiven	(24)
Repaid	(50)
Interest charged	3
At 31 March 2014 (Unaudited)	–
At 1 October 2014 (Audited)	–
Loan drawdown	1,232
Interest charged	23
At 31 March 2015 (Unaudited)	1,255

On 30 September 2014 the Company entered into a subscription agreement with the Ikonic Fund SAC Limited ("Ikonic"), pursuant to which Ikonic 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 3.01 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 CONDENSED FINANCIAL STATEMENTS continued

12 SHARE CAPITAL AND PREMIUM

The issued share capital in the period was as follows:

	Ordinary shares Number	*Ordinary B shares Number*	*Class A Preference shares Number*	*Class B Preference shares Number*
At 1 October 2013 (Audited)	35,784,852	–	24,550,630	5,077,573
Issue of share capital	281,250	45,000,000	8,906,607	5,077,574
Conversion to ordinary shares on listing	66,496,622	(23,165,488)	(33,457,237)	(10,155,147)
Re-purchased and cancelled on listing	–	(21,834,512)	–	–
At 31 March 2014 (Unaudited)	102,562,724	–	–	–
At 1 April 2014 (Unaudited)	102,562,724	–	–	–
At 30 September 2014 (Audited)	102,562,724	–	–	–
At 1 October 2014 (Audited)	102,562,724	–	–	–
Issue of capital	1,166,486	–	–	–
At 31 March 2015 (Unaudited)	103,729,210	–	–	–

	Share Capital (£000's)	*Share Premium (£000's)*	*Total (£000's)*
At 1 October 2013 (Audited)	66	4,222	4,288
Issue of ordinary share capital	45	8,880	8,925
Issue of Class A preference share capital	9	–	9
Issue of Class B preference share capital	5	–	5
Repurchase of ordinary share capital on listing	(22)	–	(22)
Capital reduction	–	(5,609)	(5,609)
Share issue transaction costs	–	(1,064)	(1,064)
At 31 March 2014 (Unaudited)	103	6,429	6,532
At 1 April 2014 (Unaudited)	103	6,429	6,532
At 30 September 2014 (Audited)	103	6,429	6,532
At 1 October 2014 (Audited)	103	6,429	6,532
Issue of ordinary share capital	1	407	408
Share issue transaction costs	–	(72)	(72)
At 31 March 2015 (Unaudited)	104	6,764	6,868

NOTES TO THE CONDENSED FINANCIAL STATEMENTS continued

13 MERGER RESERVE

	(\$000's)
At 1 October 2013 (Audited)	3,131
Acquisition of non-controlling interest in Data2Text	21,830
Acquisition of Global IP	3,131
At 31 March 2014 (Unaudited)	28,092
At 1 April 2014 (Unaudited)	28,092
At 30 September 2014 (Audited)	28,092
At 1 October 2014 (Audited)	28,092
At 31 March 2015 (Unaudited)	28,092

The merger reserve arose on the acquisition of SQi3 Solutions Limited, Data2Text Limited and Global IP Inc., reflecting the consideration paid in shares. The Company has taken advantage of merger relief under the Companies Act 2006 and not recorded a premium on these shares. The premium has been credited to the merger reserve.

14 NON-CONTROLLING INTEREST

The non-controlling interest arose on the acquisition of Data2Text Limited on 1 May 2012 and on the acquisition of Global IP Inc., on 29 September 2012. The Group originally owned 20% of the issued share capital of Data2Text Limited and recognised a non-controlling interest in respect of the remaining 80% from 1 May 2012.

On 25 October 2013, the Company concluded the acquisition of the remaining 80% of the share capital of 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) when the Company's shares were admitted to trading on the AIM Market of the London Stock Exchange on 5 December 2013. The remaining 21,834,512 B ordinary shares were repurchased by the Company on listing.

Following the acquisition of 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.

	Non-Controlling Interest (\$000's)
At 1 October 2013 (Audited)	24,404
Acquisition of non-controlling interest in Data2Text	(22,926)
Acquisition of non-controlling interest in Global IP	(1,478)
At 31 March 2014 (Unaudited)	–
At 1 April 2014 (Unaudited)	–
At 30 September 2014 (Audited)	–
At 1 October 2014 (Audited)	–
At 31 March 2015 (Unaudited)	–

NOTES TO THE CONDENSED FINANCIAL STATEMENTS continued

15 SUBSEQUENT EVENTS

Extended License Agreement with the UK Met Office

On 8 April 2015 the Company announced a new agreement to extend the existing licence with the UK Met Office for a further year.

The agreement provides for an extension of the existing licensing agreement for a further year. In particular, the Agreement provides a new professional services contract to integrate site-specific NLG forecasts into the UK Met Office's new web page format. The new project will involve exploring the utilisation of the existing site- specific NLG software as part of the UK Met Office's optimised web content, and measuring the impact of NLG content on the UK Met Office's search engine optimisation strategy.

Termination of Contract

On 30 April 2015 the Company announced that Shell Exploration Production Company (Shell) a subsidiary of Royal Dutch Shell had terminated the contract that was previously entered into on 23 May 2014.

Licensing Agreement with MeteoGroup UK

On 11 May 2015 the Company announced that it will work with MeteoGroup UK to develop a weather report module for two regions in Europe, in consideration of contracted professional service fees. Upon acceptance of this initial module by MeteoGroup, the agreement provides annual licensing fees for the use of these modules.

Proof of Concept Pilot Agreement

On 13 May 2015 the Company announced that it has entered into a paid for Proof of Concept Pilot Agreement with the UK arm of a global financial services group.

Directorate Change

On 18 May 2015 the Company announced that Simon Small will step down from his role as an Executive Director. The date and terms of his departure are still being discussed.

Capital raise

The Company agreed to receive early payment of the £1.848 million of loan notes from Ikonic still to be drawn down under subscription agreement entered into on 30 September 2014. These amounts were not due to be received by the Company before 31 December 2015

The Company successfully concluded a subscription for an additional £1.902 million of a total offer of up to approximately £3.152 million in convertible loan notes of £1.00 each with certain of the Company’s existing shareholders, whose principle terms were as follows;

- The new Convertible Loan Notes will mature at the latest at 31 October 2019 and are convertible, at the election of the holder at any time during the term, into new ordinary shares of £0.001p each in the Company at a price of £0.40p per new ordinary share.
- The new Convertible Loan Notes will bear interest of 5.0% per annum over the Bank of England base rate (currently 0.5%). Interest will be payable annually in cash or, at the Company’s election, by conversion in to new ordinary shares on the same terms at the Convertible Loan Notes issued to Ikonic at 30 September 2014

- Purchasers of the £1.902 million of Convertible Loan Notes will be issued with approximately 5.972 million unlisted warrants to subscribe for new ordinary shares in the Company (the “B Warrants”) and in consideration for accelerating the payment of the balance of the September 2014 convertible loan notes, Ikonic will be issued with 6 million B Warrants. The B Warrants will be exercisable at 12p per new ordinary share at any time until 31 October 2019. An additional 1 million B Warrants will be issued to defray some of the costs incurred by one of the financial advisers who helped structure and organize this capital programme.
- The Company has agreed to pay certain costs which Ikonic will incur in making the early payments under the Ikonic Notes.
- The new Convertible Loan Notes loan notes would mature on the earlier of conversion or 31 October 2019.

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