ARRIA

Annual Report and Financial Statements for the Year Ended 30 September 2013

ARRIA

ARRIA NLG plc

Annual Report and Financial Statements
for the Year Ended 30 September 2013

Company number 07812686

NATURAL LANGUAGE GENERATION

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COMPANY INFORMATION

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CHAIRMAN'S LETTER

Arria NLG has had a successful year of growth and development on a number of fronts, all in accordance with the Group's objective 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.

Since the end of our last fiscal year on 30 September 2013, Arria NLG plc has completed a successful private placement fund raise of US$15.8 million, completed the full acquisition of Data2Text Limited and begun to trade publicly on AIM, a market operated by the London Stock Exchange.

Although it is early days for the Group's business, its technology is already deployed in a mission critical environment monitoring large scale industrial machinery located on oil and gas production platforms in deepwater Gulf of Mexico for a major global oil and gas company and the technology also is deployed at a government meteorology service.

The Group's core technology, the Arria NLG Engine, is an advanced software technology that through knowledge capture, analysis and communication seeks to emulate the analysis and reporting performed by experts working within the relevant enterprise. It analyses large sets of data and makes sense of them. It can automatically make large sets of data communicate directly to users, not merely in numbers or spread sheets that require further analysis and explanation, but in rich, compelling narratives intended to replicate what would have been written by those experts.

A key objective of Big Data analytics is to generate plain English narratives which people can use 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 acute 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 in respect of defined analytical and reporting tasks.

Arria NLG has developed a commercial system for oil and gas, an industry that is especially concerned about "knowledge loss" as experienced experts retire. Both cognitive psychology and our experiences suggest that formation of new experts by automatically generating high-quality reports identifying key facts and highlighting relationships between them can narrow the performance gap between novice and experienced experts. NLG software works around the clock helping experts improve the performance and safety of the most complex, large-scale production equipment being used by global corporations.

We are greatly encouraged by the growing interest in Arria's core technology from companies that are now aware of our capabilities in the oil and gas sector through industry conferences, company presentations and news articles published in connection with the AIM flotation. We are confident that we will advance our existing presence in the oil and gas sector and that over the coming months we will achieve initial traction with new clients whilst extending our engagements with our existing clients.

Key milestones

The Company's key developments during the year to 30 September 2013 are highlighted below:

- Completed two foundational contracts for use of the Arria NLG Engine by a client in the oil and gas sector, one for 2013 licensing of the Arria NLG Engine to monitor 28 compressors on six oil platforms in the Gulf of Mexico, and the other for expanding the use of the Arria NLG Engine across additional equipment classes;
- Concluded the acquisition of the 80% of Data2Text Limited that Arria did not own, ahead of the listing on AIM;
- Successfully concluding a US$4.5 million private placement fund raising;
- Successfully concluding a US$15.8 million private placement fund raising;

CHAIRMAN'S LETTER continued

- Invested significantly in the further development and protection of the Groups' intellectual property portfolio;
- Continued significant forward momentum with Data2Text's existing client base, and working to fill the prospect pipeline in the oil and gas, financial services, and healthcare sectors;
- Continued investment into the development of the core Arria NLG Engine; and
- Finalised the Group's governance and management structure befitting of a global enterprise in preparation for the Company's admission to AIM (which occurred on 5 December 2013).

We were also pleased to announce, on 23 December 2013, our continuing relationship with Shell Exploration and Production Company ("Shell") on a month by month basis (starting 1 January 2014) until such time as new agreements are signed between us. The terms of the extension include Shell's continued usage of the Arria NLG Engine in the Gulf of Mexico and for on-going support work. We are also discussing the project definition to be included in longer term agreements for Shell's usage of the Arria NLG Engine and associated services, on terms and conditions to be determined.

Financials

Turnover for the period was £816,178 (period ended 30 September 2012: £62,554). This was predominantly attributable to the Company's contract with its oil and gas client. During 2013 the Group raised US$20.3 million and this has been used to fund the acquisition of 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 £13.0 million (2012 loss before tax: £6.5m).

As we invest in our technology and commercial relationships, and given the stage of development of the Company, we may seek to raise additional capital as appropriate opportunities arise.

Outlook

The Directors believe that the prospects for the Group are very bright. Negotiations continue with existing clients to expand the scope of our relationships, which the Directors expect to result in deeper and longer engagements. Simultaneously, the Directors believe that the platform offered by the flotation on AIM, as well as the debut of NLG as a keynote concept at the 2013 Society of Petroleum Engineers Intelligent Energy conference, position 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 NLG software technologies.

Stuart Rogers
Chairman and CEO

STRATEGIC REPORT

The Directors present their Strategic Report on the affairs of ARRIA NLG plc (formerly ARRIA NLG Limited) (the Company) and its subsidiaries, referred to as the Group for the year ended 30 September 2013.

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.

Business Description

Arria is a software development business. Its target 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.

Although it is early days for the Group's business, its technology is already deployed in a mission critical environment, monitoring large scale industrial machinery located on oil and gas production platforms in deepwater Gulf of Mexico for a major global oil and gas company and at a government meteorology service.

The scientific foundation for the Arria NLG Engine has been developed over the past four years, but is based on more than 20 years of research and knowledge gained by the Data2Text Founders at the University of Aberdeen. In 2009, the Data2Text Founders formed Data2Text to develop and commercialise various NLG technologies. Since 2009, the Data2Text science and technology team has continued to develop the commercial potential of its NLG software technologies, culminating in the Arria NLG Engine.

The Arria NLG Engine is an advanced software technology which through knowledge capture, data analysis and communication seeks to emulate the analysis and reporting performed by experts working within the relevant

STRATEGIC REPORT continued

enterprise. It analyses large sets of data and makes sense of them. It can automatically make large sets of data communicate directly to users, not in numbers or spreadsheets that require further analysis and explanation, but in rich, compelling narratives intended to replicate what would have been written by those experts.

The Arria NLG Engine is built upon over 20 years' of research in natural language processing that aims to codify how human beings use language. The Group's experts in artificial intelligence and computational linguistics between them have over 70 years' experience modelling the processes involved in language production and have simulated key aspects of these processes in the Arria NLG Engine.

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;
- 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. Further, the Group's immediate focus is on extending the existing relationship with Shell continuing to develop the vision of the "articulate" oil and gas platform and obtaining another oil and gas customer.

STRATEGIC REPORT continued

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

During the year the Group continued to incur losses as it delivered the key developments below and set the stage for continued successful progress. The Group continues to be well funded following the successful completion of two private placements in 2013 that raised in aggregate approximately US$20.2 million. Following the completion of these private placements and the subsequent public listing of the Company's shares on the London Stock exchange Alternative Investment Market ("AIM"), the Directors remain confident in the Group's future prospects.

Average net operating costs over the year, excluding depreciation, amortization, share based payment charges, non-recurring professional fees and other transactional costs, were approximately £500,000 per month, which the Directors believe to be commensurate with securing the opportunity at hand and supporting the Group's customers' stated plans.

Key developments in the year to 30 September 2013 included the following:

- Completing two foundational contracts with Shell, one for 2013 workstream development and one for licensing of the Arria Engine to monitor 28 compressors on six platforms in the Gulf of Mexico,
- Recruiting UK-based Allenby Capital to serve as Arria's NOMAD in order to list on AIM,
- Concluding binding agreements to acquire the 80% of Data2Text Limited that Arria did not own, ahead of the planned listing on AIM,
- Successfully concluding a US$4.5 million private placement fund raising,
- Successfully concluding a US$15.8 million private placement fund raising,
- Investing significantly in the further development of and protection of the Groups' intellectual property portfolio,
- Continuing significant forward momentum with Data2Text's existing client base, and working to fill the prospect pipeline in the Oil & Gas, Financial Services, and Healthcare sectors,
- Finalising the Group's governance and management structure befitting of a global enterprise in anticipation of a late-2013 listing on AIM.

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 remain very bright. Negotiations continue with existing clients to expand the scope of our relationships which the Directors expect to result in deeper and longer engagements. Simultaneously, the Directors' believe that the platform offered by a public offering of the company's stock and the debut of Natural Language Generation as a key note concept at the 2013 Society of Petroleum Engineers Intelligent Energy Conference position the Group to succeed in the coming months and years in delivering its Global Vision to be the global leader in the development and deployment of mission critical, core industrial, enterprise level natural language generation ("NLG") software technologies.

STRATEGIC REPORT continued

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 he 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.

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 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 from Co-Founders and private equity investments. The Company

STRATEGIC REPORT continued

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 with whom it is currently negotiating contracts for future work. The Group's initial contract with this key customer terminated on 31 December 2013 and an extension has been agreed on a month by month basis until such time as a new agreement is signed. The Directors remain confident that the new contract will be concluded shortly on favourable terms, however the failure to negotiate a new contract, or a failure to agree terms favourable to the Group, with this key customer, in the short term, would have a material adverse effect on the Group's revenues, business, results of operation and financial condition.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 30 September 2013.

Future Developments

Future Developments are discussed within the Strategic report on page 7.

Going Concern

At the balance sheet date, the group has net cash of £3.9 million. Since this date, additional cash of £8.3 million has been received through fund raising, and the Company has successfully listed on the Alternative Investment Market of the London Stock Exchange ("AIM"), which the Directors believe will facilitate further equity funding when necessary.

The Directors have prepared a business plan and cash flow forecast for the period to 31 January 2015. 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.

Based on the supporting business plan and expectation of further equity fundraising, the Directors believe 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.

Research and Development

Research and Development activities are discussed in the Strategic Report on page 7.

Political and charitable donations

The were no political or charitable donations in the year (2012: Nil).

Dividends

The Directors do not recommend the payment of a dividend (2012: Nil).

Subsequent Events

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.

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.

During the month of October, 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 AIM. Attached to these shares were 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 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 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 AIM on 5 December 2013.

DIRECTORS' REPORT continued

Following the acquisition of Data2Text Limited, the Company concluded the acquisition of the share capital of Global IP Inc. (from Sharon Daniels, a Director and Robert Craig a former Director) 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 7 November 2013, the Company reregistered as a public limited company.

On 12 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.

On 5 December 2013, the Company's Ordinary shares and warrants over Ordinary shares commenced trading on AIM.

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.

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	
Ian Davy	15 May 2012	2 October 2012
Stuart Rogers	19 June 2012	
Brian Henry	19 June 2012	2 October 2012
Sharon Daniels	19 June 2012	
Michael Mayell	19 June 2012	2 October 2012
Robert Craig	9 August 2012	2 October 2012
Wayne Thornhill	13 June 2013	

Non-Executive Directors	*Appointed*	*Resigned*
James Ogden	2 October 2012	14 April 2013
Rhoda Phillippo	2 October 2012	14 April 2013
Phil Norman	2 October 2012	14 April 2013
Ian Cormack	2 October 2012	14 April 2013
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.

DIRECTORS' REPORT continued

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' Remuneration

The table below sets out the amounts earned by the Directors in the current year and in the prior period (being from incorporation on 17 October 2011 to 30 September 2012) (Audited);

GBP£000's	*Salary & Fees*	*Benefits*	*Bonus*	*Share Grant*	*Pension*[3]	*Total remuneration 2013*	*Total remuneration 2012*
Executive							
Stuart Rogers[1]	180	166	–	–	9	355	109
Simon Small	180	3	–	–	9	192	94
Sharon Daniels[2]	139	–	–	–	–	139	34
Wayne Thornhill	140	3	100[4]	112[4]	7	362	12
Brian Henry	–	–	–	–	–	–	–
Bob Craig[2]	148	–	–	–	–	148	78
Michael Mayell	–	–	–	–	–	–	–
Non-Executive							
Michael Higgins	–	–	–	–	–	–	–
Paul Kidney	–	–	–	–	–	–	–
Ian Davy	94	1	–	–	2	97	48
James Ogden[2]	37	–	–	223	–	260	–
Ian Cormack	23	–	–	231	–	254	–
Rhoda Phillippo[2]	24	–	–	–	–	24	–
Phil Norman[2]	26	–	–	–	–	26	–
Total	991	173	100	566	27	1,857	375

(1) In the prior period services were provided through a consultancy arrangement. This was changed to an employment agreement effective 1 January 2013.
(2) Services provided through a consultancy arrangement via a service company.
(3) Pension emoluments are accrued contributions for money purchase pension scheme.
(4) 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.

DIRECTORS' REPORT continued

During the year the 339,622 share options previously granted to Wayne Thornhill were cancelled and replaced with a share grant of 250,000 Ordinary shares with a nominal value of £0.001 per share for cash consideration of £250. Both the initial option grant and subsequent share grant related to a sign-on bonus agreed in the prior period. On 26 June 2013, 350,000 options over Ordinary shares with a nominal value of £0.001 each were granted to Wayne Thornhill with an exercise price of US$1.00 and expiring eight years from the date of grant. These were the only share option arrangements involving directors during the year. There were no share option arrangements with Directors in the prior period.

No options were exercised during the year (2012: Nil).

There was no compensation for loss of office during the year (2012: Nil).

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 profit or loss of the Company and 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and 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. The Directors 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.

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; and

(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.

The financial statements on pages 16 to 23 were approved by the Board of Directors on 22 January 2014 and signed on its behalf by order of the Board.

Stuart Rogers **Wayne Thornhill**

22 January 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARRIA NLG PLC

We have audited the Group and parent company financial statements (the "financial statements") of ARRIA NLG plc for the year ended 30 September 2013 which comprise the Consolidated Statement of Comprehensive Income, the Company Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

Scope of the audit of the financial statements

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 parent 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. 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and parent company's affairs as at 30 September 2013 and of the Group's and parent company's loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

22 January 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2013

	Note	*Year ended 30 September 2013* *£*	*Period ended 30 September 2012* *£*
Revenue	3	816,178	62,554
Cost of sales		(139,484)	(33,453)
Gross profit		676,694	29,101
Administrative expenses			
– Share-based payments	6	(1,113,135)	(385,624)
– Amortisation of intangibles	12	(3,119,687)	(529,167)
– Impairment of intangibles	12	–	(1,474,280)
– Other administrative costs	4	(9,439,679)	(4,152,604)
Total administrative expenses		(13,672,501)	(6,541,675)
Operating loss	4	(12,995,807)	(6,512,574)
Finance income	7	933	174
Finance expense	8	(17,170)	(7,453)
Loss before tax		(13,012,044)	(6,519,853)
Taxation credit	9	587,376	248,707
Loss for the year/period		(12,424,668)	(6,271,146)
Other comprehensive income		–	–
Total comprehensive loss for the year/period		(12,424,668)	(6,271,146)
Attributable to:			
– **owners of the parent**		(10,747,358)	(5,216,140)
– **non-controlling interests**	20	(1,677,310)	(1,055,006)
Total comprehensive income for the year/period		(12,424,668)	(6,271,146)
Loss per share			
Basic and diluted loss per share		(0.18)	(0.27)

The results reflected above relate to continuing activities.

The accompanying notes on pages 24 to 56 are an integral part of these financial statements.

COMPANY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2013

	Note	*Year ended 30 September 2013 £*	*Period ended 30 September 2012 £*
Revenue	3	530,000	–
Administrative expenses			
– Share-based payments	6	(1,113,135)	(385,624)
– Other administrative costs	4	(8,726,452)	(3,954,396)
Total administrative expenses		(9,839,587)	(4,340,020)
Operating loss	4	(9,309,587)	(4,340,020)
Finance income	7	36	–
Finance expense	8	(17,170)	(7,454)
Loss before tax		(9,326,721)	(4,347,474)
Taxation credit	9	–	–
Loss for the year		(9,326,721)	(4,347,474)
Other comprehensive income		–	–
Total comprehensive loss for the year/period		(9,326,721)	(4,347,474)

The results reflected above relate to continuing activities.

The accompanying notes on pages 24 to 56 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013

	Note	2013 $	2012 $
ASSETS			
Non-current assets			
Goodwill	11	14,352,865	14,352,865
Other intangible assets	12	14,481,814	17,028,210
Property, plant and equipment	13	249,301	96,735
Trade and other receivables	15	167,736	169,716
		29,251,716	31,647,526
Current assets			
Trade and other receivables	15	1,434,963	367,291
Cash and cash equivalents	16	3,939,457	8,866,018
		5,374,420	9,233,309
TOTAL ASSETS		34,626,136	40,880,835
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	19	35,785	33,285
Class A preference share capital	19	24,551	17,702
Class B preference share capital	19	5,078	5,078
Share premium	19	4,221,607	11,129,796
Merger reserve	20	3,130,832	3,130,832
Accumulated losses	20	(2,497,290)	(4,830,516)
		4,920,563	9,486,177
Non-controlling interest	20	24,403,594	26,080,904
TOTAL EQUITY		29,324,157	35,567,081
Non-current liabilities			
Deferred tax	18	2,211,917	2,799,293
Current liabilities			
Trade and other payables	17	2,743,999	2,175,659
Borrowings	17	346,063	338,802
		3,090,062	2,514,461
TOTAL LIABILITIES		5,301,979	5,313,754
TOTAL EQUITY AND LIABILITIES		34,626,136	40,880,835

These Financial Statements were approved and authorised for issue by the Board of Directors on 22 January 2014 and were signed on its behalf by:

Stuart Rogers **Wayne Thornhill**

Company number: 07812686

The accompanying notes on pages 24 to 56 are an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2013

	Note	*2013* £	*2012* £
ASSETS			
Non-current assets			
Investment in subsidiaries	14	3,476,592	3,460,912
Other intangible assets	12	471,334	–
Property, plant and equipment	13	200,969	83,712
Trade and other receivables	15	167,636	169,716
		4,316,531	3,714,340
Current assets			
Trade and other receivables	15	2,247,131	615,079
Cash and cash equivalents	16	3,391,238	8,594,150
		5,638,369	9,209,229
TOTAL ASSETS		9,954,900	12,923,569
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	19	35,785	33,285
Class A preference share capital	19	24,551	17,702
Class B preference share capital	19	5,078	5,078
Share premium	19	4,221,607	11,129,796
Merger reserve	20	3,130,832	3,130,832
Accumulated losses	20	(207,987)	(3,961,850)
TOTAL EQUITY		7,209,866	10,354,843
Current liabilities			
Trade and other payables	17	2,398,971	2,229,924
Borrowings	17	346,063	338,802
TOTAL LIABILITIES		2,745,034	2,568,726
TOTAL EQUITY AND LIABILITIES		9,954,900	12,923,569

The accompanying notes on pages 24 to 56 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2013

		Attributable to equity owners of the company							
	Note	*Ordinary Share Capital £*	*Preference Share Capital £*	*Share Premium £*	*Merger Reserve £*	*Accumulated Losses £*	*Total £*	*Non-controlling interest £*	*Total Equity £*
As at 17 October 2011		–	–	–	–	–	–	–	–
Issue of shares	19	33,285	21,700	10,428,876	3,130,832	–	13,614,693	–	13,614,693
Conversion of loans & loan notes	19	–	1,080	700,920	–	–	702,000	–	702,000
Share based payment expense	6	–	–	–	–	385,624	385,624		385,624
On acquisition of subsidiary undertakings	20	–	–	–	–	–	–	27,135,910	27,135,910
Total contributions by owners of the company		33,285	22,780	11,129,796	3,130,832	385,624	14,702,317	27,135,910	41,838,227
Total comprehensive loss	20	–	–	–	–	(5,216,140)	(5,216,140)	(1,055,006)	(6,271,146)
As at 30 September 2012		33,285	22,780	11,129,796	3,130,832	(4,830,516)	9,486,177	26,080,904	35,567,081
As at 1 October 2012		33,285	22,780	11,129,796	3,130,832	(4,830,516)	9,486,177	26,080,904	35,567,081
Issue of shares	19	2,500	6,849	5,336,786	–	–	5,346,135	–	5,346,135
Share issue transaction costs	19	–	–	(172,198)	–	–	(172,198)	–	(172,198)
Share based payment expense	6	–	–	–	–	1,113,135	1,113,135	–	1,113,135
Reclassification of equity-settled share based payments to cash settled	20	–	–	–	–	(105,328)	(105,328)	–	(105,328)
Capital reduction	20	–	–	(12,072,777)	–	12,072,777	–	–	–
Total contributions by owners of the company		2,500	6,849	(6,908,189)	–	13,080,584	6,181,744	–	6,181,744
Total comprehensive loss		–	–	–	–	(10,747,358)	(10,747,358)	(1,677,310)	(12,424,668)
As at 30 September 2013		35,785	29,629	4,221,607	3,130,832	(2,497,290)	4,920,563	24,403,594	29,324,157

The accompanying notes on pages 24 to 56 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2013

		Attributable to equity owners of the company					
	Note	*Ordinary Share Capital* £	*Preference Share Capital* £	*Share Premium* £	*Merger Reserve* £	*Accumulated Losses* £	*Total Equity* £
As at 17 October 2011		–	–	–	–	–	–
Issue of shares	19	33,285	21,700	10,428,876	3,130,832	–	13,614,693
Conversion of loans notes & loan notes	19	–	1,080	700,920	–	–	702,000
Share based payment expense	6	–	–	–	–	385,624	385,624
Total contributions by owners of the company		33,285	22,780	11,129,796	3,130,832	385,624	14,702,317
Total comprehensive loss		–	–	–	–	(4,347,474)	(4,347,474)
As at 30 September 2012		33,285	22,780	11,129,796	3,130,832	(3,961,850)	10,354,843
As at 1 October 2012		33,285	22,780	11,129,796	3,130,832	(3,961,850)	10,354,843
Issue of shares	19	2,500	6,849	5,336,786	–	–	5,346,135
Share issue transaction costs	19	–	–	(172,198)	–	–	(172,198)
Share based payment expense	6	–	–	–	–	1,113,135	1,113,135
Reclassification of equity-settled share based payments to cash settled	20	–	–	–	–	(105,328)	(105,328)
Capital reduction	20	–	–	(12,072,777)	–	12,072,777	–
Total contributions by owners of the company		2,500	6,849	(6,908,189)	–	13,080,584	6,181,744
Total comprehensive loss		–	–	–	–	(9,326,721)	(9,326,721)
As at 30 September 2013		35,785	29,629	4,221,607	3,130,832	(207,987)	7,209,866

The accompanying notes on pages 24 to 56 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2013

	Note	*Year ended 30 September 2013* £	*Period ended 30 September 2012* £
(Loss) before interest and taxation		(12,995,807)	(6,512,574)
Adjustments for:			
Depreciation of plant and equipment	13	67,378	8,236
Amortisation of intangible assets	12	3,119,687	529,167
Impairment of intangibles	12	–	1,474,280
Share based payments	6	1,113,135	385,624
Operating cash flows before movements in working capital		(8,695,607)	(4,115,267)
Increase in trade and other receivables		(417,895)	(373,980)
Increase in trade and other payables		599,297	2,017,832
Net cash used in operating activities		(8,514,205)	(2,471,415)
Cash flows from investing activities			
Interest received	7	933	174
Cash acquired on acquisition		–	46,360
Purchase of plant and equipment	13	(220,194)	(94,732)
Proceeds from sale of plant and equipment	13	250	–
Purchase of intangible assets	12	(573,291)	–
Net cash used in investing activities		(792,302)	(48,198)
Cash flows from financing activities			
Proceeds from loan notes and other debt	17	–	567,947
Repayment of loan notes and other debt	17	(13,801)	(229,146)
Interest paid	8	(17,170)	(7,453)
Share issue transaction costs	15, 19	(819,993)	–
Proceeds from issue of ordinary and preference shares	19	5,346,135	11,054,283
Net cash from financing activities		4,495,171	11,385,631
Net (decrease)/increase in cash and cash equivalents		(4,811,336)	8,866,018
Cash and cash equivalents at the beginning of the year/period		8,866,018	–
Exchange (losses)/gains on cash and cash equivalents		(115,225)	–
Cash and cash equivalents at end of the year/period	16	3,939,457	8,866,018

The accompanying notes on pages 24 to 56 are an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2013

	Note	*Year ended 30 September 2013 £*	*Period ended 30 September 2012 £*
(Loss) before interest and taxation		(9,309,587)	(4,340,020)
Adjustments for:			
Depreciation of plant and equipment	13	55,048	4,520
Share based payments	6	1,113,135	385,624
Operating cash flows before movements in working capital		(8,141,404)	(3,949,876)
Increase in trade and other receivables		(982,174)	(658,295)
Increase in trade and other payables		389,916	2,040,011
Net cash used in operating activities		(8,733,662)	(2,568,160)
Cash flows from investing activities			
Interest received	7	36	–
Purchase of plant and equipment	13	(172,305)	(88,232)
Purchase of intangible assets	12	(471,334)	–
Investment in subsidiaries	14	(15,680)	–
Subscription in Data2Text Limited	14	(189,913)	(135,089)
Net cash used in investing activities		(849,196)	(223,321)
Cash flows from financing activities			
Proceeds from loan notes & other debt	17	–	567,947
Repayment of loan notes & other debt	17	(13,801)	(229,146)
Interest paid	8	(17,170)	(7,453)
Share issue transaction costs	15, 19	(819,993)	–
Proceeds from issue of ordinary and preference shares	19	5,346,135	11,054,283
Net cash from financing activities		4,495,171	11,385,631
Net (decrease)/Increase in cash and cash equivalents		(5,087,687)	8,594,150
Cash and cash equivalents at the beginning of year/period		8,594,150	–
Exchange gains/(losses) on cash and cash equivalents		(115,225)	–
Cash and cash equivalents at end of year/period	16	3,391,238	8,594,150

The accompanying notes on pages 24 to 56 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS continued

1. GENERAL INFORMATION

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.

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.

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 all the years presented, unless otherwise stated.

Going Concern

At the balance sheet date, the group has net cash of £3.9 million. Since this date, additional cash of £8.3 million has been received through fund raising, and the Company has successfully listed on the Alternative Investment Market of the London Stock Exchange ("AIM"), which the Directors believe will facilitate further equity funding when necessary.

The consolidated balance sheet has net assets of £29,324,157 at 30 September 2013. The Group made a loss before tax of £13,012,044 and expects to continue to make losses as it invests in developing new markets for its products and securing its position in commercializing Natural Language Generation.

The Directors have prepared a business plan and cash flow forecast for the period to 31 January 2015. 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.

Based on the supporting business plan and expectation of further equity fundraising, the Directors believe 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.

Adoption of new and revised International Financial Reporting Standards

New and amended standards adopted by the group

The following standards have been adopted by the group for the first time for the financial year beginning on 1 October 2012 and have an impact on the group:

IAS 1 Amendment

"Presentation of Items of Other Comprehensive Income" is effective for annual reporting periods commencing on or after 1 July 2012. The amendment requires disclosure of items that may be reclassified to profit or loss and items that will not be reclassified to profit or loss.

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 2012, 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, except the following set out below:

NOTES TO THE FINANCIAL STATEMENTS continued

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9

"Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the financial year beginning on 1 October 2015. The group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IFRS 10

"Consolidated financial statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This will be effective for the financial year beginning on 1 October 2014.

IFRS 12

"Disclosure of interests of other entities" aims to provide the users of financial statements with sufficient disclosures to assess the nature of risks and financial effects associated with subsidiaries. This will take effect from 1 October 2014.

IFRS 13

"Fair value measurement" aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted. This will be effective for the financial year beginning on 1 October 2013.

IAS 27 (revised)

"Separate financial statements" will be effective for the period beginning on or after 1 October 2014. This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

The Group continues to assess the impact of adopting these new or amended standards and interpretations in future accounting periods.

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.

NOTES TO THE FINANCIAL STATEMENTS continued

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS continued

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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

Revenue in respect of licences is generally billed in advance. 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 licence 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.

NOTES TO THE FINANCIAL STATEMENTS continued

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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 year of the borrowings using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS continued

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS continued

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS continued

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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 2013 £	*Group Period ended 30 September 2012 £*
Provision of computer software	816,178	62,554
Total	816,178	62,554

NOTES TO THE FINANCIAL STATEMENTS continued

3. SEGMENT INFORMATION continued

Loss before tax

	Group Year ended 30 September 2013 £	*Group Period ended 30 September 2012 £*	*Company Year ended 30 September 2013 £*	*Company Period ended 30 September 2012 £*
Provision of computer software	(3,137,537)	(2,037,293)	–	–
Corporate costs	(9,874,507)	(4,482,560)	(9,326,721)	(4,347,474)
	(13,012,044)	(6,519,853)	(9,326,721)	(4,347,474)

Assets

	Group Year ended 30 September 2013 £	*Group Period ended 30 September 2012 £*	*Company Year ended 30 September 2013 £*	*Company Period ended 30 September 2012 £*
Provision of computer software	30,092,428	31,880,982	–	–
Corporate	4,533,708	8,999,853	9,954,900	12,923,569
	34,626,136	40,880,835	9,954,900	12,923,569

Entity-wide information

Total revenue from activities by geographical area is detailed below:

Revenue by geography

	Group Year ended 30 September 2013 £	*Group Period ended 30 September 2012 £*
Revenue derived from the UK	13,420	5,750
Revenue derived from the Netherlands	–	56,804
Revenue derived from the United States	802,758	–
Total Revenue	816,178	62,554

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

	Group Year ended 30 September 2013 £	*Group Period ended 30 September 2012 £*
Customer A – Netherlands	–	56,804
Customer A – United States	802,758	–
Customer B – United Kingdom	13,420	5,750
Total Revenue	816,178	62,554

There has been a change in the classification of goodwill and intangible assets from corporate to provision of computer software to better reflect the substance of the assets. Comparatives have been restated.

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 2013 £	*Group Period ended 30 September 2012 £*	*Company Year ended 30 September 2013 £*	*Company Period ended 30 September 2012 £*
Employee and consultant costs	5,031,439	1,126,906	4,437,218	826,206
Operating lease rentals	259,809	36,066	238,049	29,081
Depreciation charge	68,009	8,236	55,679	4,520
Research and development	9,360	552,778	9,360	552,778
Legal and professional fees	3,023,963	2,509,350	3,000,862	2,509,350
Foreign exchange (gains)/losses	34,436	147,364	19,606	147,364
Auditors remuneration				
Audit of Company	50,000	56,250	50,000	56,250
Audit of subsidiaries	14,000	18,750	14,000	18,750
Total audit	64,000	75,000	64,000	75,000
Other assurance services				
– Assurance provided as part of IPO process	688,552	169,837	688,552	169,837
Tax compliance services	5,500	–	5,500	–
Tax advisory services	262,774	10,000	262,774	10,000
Services relating to taxation	268,274	10,000	268,274	10,000
Other non-audit services	86,687	–	86,687	–
Total non-audit services	1,043,513	179,837	1,043,513	179,837
Total fees	1,107,513	254,837	1,107,513	254,837

5. EMPLOYEES

	Group Year ended 30 September 2013 £	*Group Period ended 30 September 2012 £*	*Company Year ended 30 September 2013 £*	*Company Period ended 30 September 2012 £*
Wages and Salaries	2,220,263	618,919	1,792,029	395,488
Social Security Costs	258,292	122,363	220,962	45,094
Other Pension Costs	109,672	10,263	79,234	–
Share based payments	1,113,135	385,624	1,113,135	385,624
	3,701,362	1,137,169	3,205,360	826,206

NOTES TO THE FINANCIAL STATEMENTS continued

5. EMPLOYEES continued

The monthly average number of employees (including Executive Directors) in the Group during the year was 30. Number of employees at period end analysed by category was as follows:

	Group Year ended 30 September 2013 £	*Group Period ended 30 September 2012 £*	*Company Year ended 30 September 2013 £*	*Company Period ended 30 September 2012 £*
Directors (executive and non-executive)	7	11	6	7
Management	2	2	2	2
Technical	17	10	4	2
Administration	3	2	2	1
Sales	3	–	3	–
	32	25	17	12

6. SHARE-BASED PAYMENTS

The Company has a number of share option schemes in place in the year ended 30 September 2013.

The Company grants options over Ordinary shares at its discretion to Directors and management, share options are granted with vesting years 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 2012	679,244	£0.001
Cancelled during the year	(679,244)	(£0.001)
Granted during the year ending 30 September 2013	1,475,000	£0.275*
Outstanding at 30 September 2013	1,475,000	£0.275*
Exercisable at 30 September 2013	350,000	

* Exchange rate of US$1.6 : GBP £1.0

During the year 679,244 options granted in the prior period were cancelled and replaced by a grant of 500,000 shares as well as a cash bonus to cover tax liabilities arising from the issue of those shares. The fair value of this replacement was equivalent to the initial grant and therefore this transaction has been treated as a modification resulting in no additional charge in the current year. The bonus is cash settled and therefore the fair value of this element has been reclassified from equity to accruals.

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 £0.275 (2012: £0.62).

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

	2013	*2012*
Weighted average share price	£0.70	£0.62
Weighted average exercise price	£0.275	£0.001
Expected life	1.72	1
Risk free rate	4.40%	4.40%
Expected dividend yields	0%	0%

A charge of £1,113,135 relating to share-based payments has been recognised in the year and is included in the Consolidated Statement of Comprehensive Income (2012: £385,624).

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

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				

2012

Scheme	*Number of shares*	*Date of grant*	*Exercise price*	*Exercise year From*	*To*
Executive scheme	679,244	25/09/12	£0.001	25/09/12	24/09/19
Total	679,244				

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

7. FINANCE INCOME

	Group Year ended 30 September 2013 £	*Group Period ended 30 September 2012 £*	*Company Year ended 30 September 2013 £*	*Company Period ended 30 September 2012 £*
Bank interest	933	174	36	–

NOTES TO THE FINANCIAL STATEMENTS continued

8. FINANCE EXPENSE

	Group Year ended 30 September 2013 £	*Group Period ended 30 September 2012 £*	*Company Year ended 30 September 2013 £*	*Company Period ended 30 September 2012 £*
Interest payable – loan notes	17,170	7,453	17,170	7,454

9. TAXATION

	Group Year ended 30 September 2013 £	*Group Period ended 30 September 2012 £*	*Company Year ended 30 September 2013 £*	*Company Period ended 30 September 2012 £*
Deferred tax (note 18):				
Origination and reversal of timing differences	(292,100)	(169,425)	–	(26,058)
Impact of change in tax rate	(295,276)	(79,282)	–	26,058
Income tax credit	(587,376)	(248,707)	–	–

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:

Loss before tax on ordinary activities	(13,012,044)	(6,519,853)	(9,326,721)	(4,347,474)
Tax calculated at domestic rate applicable to profits in respective countries	(3,055,312)	(1,564,764)	(2,145,146)	(1,043,394)
Tax effects of:				
Expenses not deductible for tax purposes	1,778,565	397,910	1,778,565	397,910
Capital allowances in excess of depreciation	56,180	21,607	–	20,091
Re-measurement of deferred tax	(295,276)	(79,282)	–	26,058
Tax Loss for which no deferred tax asset has been recognised	928,467	975,822	366,581	599,335
Income tax credit	(587,376)	(248,707)	–	–

During the year, the main corporation tax rate in the UK reduced from 24% to 23% from 1 April 2013. Therefore the weighted average UK statutory rate was 23.5%.

Further changes to the main corporation tax rate in the UK were announced in the 2013 budget. The rate will reduce to 21% effective from 1 April 2014 and 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.

NOTES TO THE FINANCIAL STATEMENTS continued

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.

	Year ended 30 September 2013 £	*Period ended 30 September 2012 £*
Loss attributable to owners of the parent	(10,747,358)	(5,216,140)
Weighted average number of shares	60,621,702	19,354,731
Basic earnings per share	(0.18)p	(0.27)p
Diluted earnings per share	(0.18)p	(0.27)p

11. GOODWILL

Group

	Goodwill £
Cost	
At 17 October 2011	–
Acquisition of subsidiary undertakings	14,352,865
At 30 September 2012	14,352,865
At 1 October 2012	14,352,865
At 30 September 2013	14,352,865

The goodwill arose on the acquisition of 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 2013. 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%. 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 25%.

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 £	*Capitalised development costs* £	*Total other intangible assets* £
Cost			
At 17 October 2011	–	–	–
Acquisition of subsidiaries	19,031,657	–	19,031,657
At 30 September 2012	19,031,657	–	19,031,657
At 1 October 2012	19,031,657	–	19,031,657
Additions	–	573,291	573,291
At 30 September 2013	19,031,657	573,291	19,604,948
Accumulated amortisation and impairment			
At 17 October 2011	–	–	–
Amortisation expense	529,167	–	529,167
Impairment charge	1,474,280	–	1,474,280
At 30 September 2012	2,003,447	–	2,003,447
At 1 October 2012	2,003,447	–	2,003,447
Amortisation expense	3,119,687	–	3,119,687
At 30 September 2013	5,123,134	–	5,123,134
Carrying amount			
At 17 October 2011	–	–	–
At 30 September 2012	17,028,210	–	17,028,210
At 1 October 2012	17,028,210	–	17,028,210
At 30 September 2013	13,908,523	573,291	14,481,814

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 £3,559,437 in the year.

In March 2013 and following a strategic review of the business opportunities available to the Group, the Directors determined 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 resulting in an impairment charge of £1,474,280 being recognised at 30 September 2012. The Directors remain confident in the long term opportunity that SQM3 offers for value creation and are comfortable that the carrying value at 30 September 2013 is appropriate.

NOTES TO THE FINANCIAL STATEMENTS continued

12. OTHER INTANGIBLE ASSETS continued

Company

	Capitalised development costs £
Cost	
At 1 October 2012	–
Additions	471,334
At 30 September 2013	471,334
Accumulated amortisation and impairment	
At 1 October 2012	–
Amortisation expense	–
At 30 September 2013	–
Carrying amount	
At 1 October 2012	–
At 30 September 2013	471,334

NOTES TO THE FINANCIAL STATEMENTS continued

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Computer Equipment £	*Leasehold improvements* £	*Office Equipment* £	*Furniture & Fittings* £	*Total* £
Cost					
At 17 October 2011	–	–	–	–	–
Additions	56,832	25,000	–	12,900	94,732
Acquired through acquisition of subsidiaries	10,239	–	–	–	10,239
At 30 September 2012	67,071	25,000	–	12,900	104,971
At 1 October 2012	67,071	25,000	–	12,900	104,971
Additions	68,521	78,448	9,823	63,402	220,194
Disposals	(250)	–	–	–	(250)
At 30 September 2013	135,342	103,448	9,823	76,302	324,915
Accumulated depreciation					
At 17 October 2011	–	–	–	–	–
Depreciation expense	8,236	–	–	–	8,236
At 30 September 2012	8,236	–	–	–	8,236
At 1 October 2012	8,236	–	–	–	8,236
Depreciation expense	30,450	20,589	2,013	14,326	67,378
At 30 September 2013	38,686	20,589	2,013	14,326	75,614
Carrying amount					
At 17 October 2011	–	–	–	–	–
At 30 September 2012	58,835	25,000	–	12,900	96,735
At 1 October 2012	58,835	25,000	–	12,900	96,735
At 30 September 2013	96,656	82,859	7,810	61,976	249,301

NOTES TO THE FINANCIAL STATEMENTS continued

13. PROPERTY, PLANT AND EQUIPMENT continued

Company

	Computer Equipment £	*Leasehold improvements* £	*Office Equipment* £	*Furniture & Fittings* £	*Total* £
Cost					
At 17 October 2011	–	–	–	–	–
Additions	50,332	25,000	–	12,900	88,232
At 30 September 2012	50,332	25,000	–	12,900	88,232
At 1 October 2012	50,332	25,000	–	12,900	88,232
Additions	20,632	78,448	9,823	63,402	172,305
At 30 September 2013	70,964	103,448	9,823	76,302	260,537
Accumulated depreciation					
At 17 October 2011	–	–	–	–	–
Depreciation expense	4,520	–	–	–	4,520
At 30 September 2012	4,520	–	–	–	4,520
At 1 October 2012	4,520	–	–	–	4,520
Depreciation expense	18,120	20,589	2,013	14,326	55,048
At 30 September 2013	22,640	20,589	2,013	14,326	59,568
Carrying amount					
17 October 2011	–	–	–	–	–
At 30 September 2012	45,812	25,000	12,900	83,712	
1 October 2012	45,812	25,000	–	12,900	83,712
At 30 September 2013	48,324	82,859	7,810	61,976	200,969

14. INVESTMENT IN SUBSIDIARIES

Company

	£
Cost	
At 17 October 2011	–
Acquired in the period	3,460,912
At 30 September 2012	3,460,912
At 1 October 2012	3,460,912
Additions in the period	15,680
At 30 September 2013	3,476,592
Carrying amount	
At 17 October 2011	–
At 30 September 2012	3,460,912
At 1 October 2012	3,460,912
At 30 September 2013	3,476,592

NOTES TO THE FINANCIAL STATEMENTS continued

14. INVESTMENT IN SUBSIDIARIES continued

The Directors annually assess the carrying value of the investment in the subsidiary and in their opinion no impairment provision is currently necessary.

The principal subsidiary undertakings during the year were as follows:

	County of incorporation	*Interest held %*
Data2 Text Limited*	UK	20%
Global IP Inc.*	USA	0%
SQI3 Solutions Limited*	UK	100%
SQM3 Limited*	UK	100%
ARRIA NLG B.V.*	Netherlands	100%

* Subsidiaries owned directly by the Parent Company.

There are two subsidiaries where the proportion of shares held is less than 50%. These are considered to be subsidiaries and are consolidated on the basis that the Group has the power to govern the financial and operating policies of the entities and therefore has control. These subsidiaries were 100% acquired subsequent to 30 September 2013 further details can be found at note 25.

Arria NLG B.V. was incorporated during 2013.

15. TRADE AND OTHER RECEIVABLES

Non-current	*Group 30 September 2013* £	*Group 30 September 2012* £	*Company 30 September 2013* £	*Company 30 September 2012* £
Rental Deposits	167,736	169,716	167,636	169,716

All non-current receivables are due within five years from the end of the reporting year.

Current	*Group 30 September 2013* £	*Group 30 September 2012* £	*Company 30 September 2013* £	*Company 30 September 2012* £
Trade receivables	502,236	–	19,911	–
Prepayments	71,758	1,040	71,758	1,040
Due from Group undertakings	–	–	1,381,619	279,228
Other receivables	20,016	191,523	–	187,082
Capitalised equity transaction costs	647,795	–	647,795	–
VAT debtor	193,158	174,728	126,048	147,729
Current portion	1,434,963	367,291	2,247,131	615,079

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 130 days. As at 30 September 2013, trade receivables of nil were past due but not impaired.

NOTES TO THE FINANCIAL STATEMENTS continued

15. TRADE AND OTHER RECEIVABLES continued

Capitalised equity transaction costs 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 will be offset against share premium on the issue of the shares.

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

	30 September 2013 £	*30 September 2012 £*
US Dollar	495,716	145,257
UK Pound	939,247	222,034
	1,434,963	367,291

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.

16. CASH AND CASH EQUIVALENTS

	Group 30 September 2013 £	*Group 30 September 2012 £*	*Company 30 September 2013 £*	*Company 30 September 2012 £*
Cash at bank and in hand	3,939,457	8,866,018	3,391,238	8,594,150

17. TRADE AND OTHER PAYABLES

	Group 30 September 2013 £	*Group 30 September 2012 £*	*Company 30 September 2013 £*	*Company 30 September 2012 £*
Trade payables	1,021,920	768,750	965,625	708,149
Social security and other taxes	93,521	110,952	75,734	97,487
Other payables	–	146,867	–	137,824
VAT payable	–	16,382	–	–
Accruals	1,327,305	1,132,708	1,265,845	1,082,118
Deferred income	301,253	–	–	–
Due to Group undertakings	–	–	91,767	204,346
	2,743,999	2,175,659	2,398,971	2,229,924
Borrowings				
Loan notes	346,063	338,802	346,063	338,802
	3,090,062	2,514,461	2,745,034	2,568,726

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 37 days.

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

NOTES TO THE FINANCIAL STATEMENTS continued

18. DEFERRED TAX

The analysis of deferred tax liabilities is as follows:

Group	*Group 2013* £	*Group 2012* £	*Company 2013* £	*Company 2012* £
Deferred tax within 12 months	304,799	292,100	–	–
Deferred tax greater than 12 months	1,907,118	2,507,193	–	–
Deferred tax liabilities	2,211,917	2,799,293	–	–

The movement in deferred tax is as follows:

Group

As at 30 September 2012

	Opening balance £	*Acquired with subsidiary* £	*Recognised in the income statement* £	*2012 Closing balance* £
Deferred tax liabilities				
Intangible assets on acquisition	–	(3,048,000)	248,707	(2,799,293)
Net deferred tax liability	–	(3,048,000)	248,707	(2,799,293)

As at 30 September 2013

	Opening balance £	*Recognised in the income statement* £	*2013 Closing balance* £
Deferred tax liabilities			
Intangible assets on acquisition	(2,799,293)	587,376	(2,211,917)
Net deferred tax liability	(2,799,293)	587,376	(2,211,917)

There was no deferred tax recognised in the Company.

NOTES TO THE FINANCIAL STATEMENTS continued

19. SHARE CAPITAL AND PREMIUM

The issued share capital in the year was as follows:

Company	*Ordinary shares Number*	*Class A Preference shares Number*	*Class B Preference shares Number*
At 17 October 2011	2	–	–
Issue of share capital	33,284,850	17,701,734	5,077,573
At 30 September 2012	33,284,852	17,701,734	5,077,573
At 1 October 2012	33,284,852	17,701,734	5,077,573
Issue of share capital	2,500,000	6,848,896	–
At 30 September 2013	35,784,852	24,550,630	5,077,573

Company	*Share Capital £*	*Share Premium £*	*Total £*
At 17 October 2011	–	–	–
Issue of ordinary share capital	33,285	–	33,285
Issue of Class A Preference Share capital	17,702	11,129,796	11,147,498
Issue of Class B Preference Share capital	5,078	–	5,078
At 30 September 2012	56,065	11,129,796	11,185,861
A 1 October 2012	56,065	11,129,796	11,185,861
Issue of ordinary share capital	2,500	–	2,500
Issue of Class A Preference Share capital	6,849	5,336,786	5,343,635
Capital Reduction	–	(12,072,777)	(12,072,777)
Share Issue Transaction Costs	–	(172,198)	(172,198)
At 30 September 2013	65,414	4,221,607	4,287,021

Directly attributable costs of the share issues of £172,198 (2012: nil) have been accounted for as a deduction from share premium.

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

NOTES TO THE FINANCIAL STATEMENTS continued

19. SHARE CAPITAL AND PREMIUM continued

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 hold 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.

B Preference shares

The B class preference shares hold 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.

20. RESERVES

	Merger reserve £	*Accumulated losses* £	*Non-controlling interest* £
Group			
At 17 October 2011	–	–	–
Loss for the period	–	(5,216,140)	(1,055,006)
Share based payment expense	–	385,624	–
Acquisition of subsidiary	3,130,832	–	27,135,910
At 30 September 2012	3,130,832	(4,830,516)	26,080,904
At 1 October 2012	3,130,832	(4,830,516)	26,080,904
Loss for the Year	–	(10,747,358)	(1,677,310)
Share based payment expense	–	1,113,135	–
Reclassification of equity settled share based payment to cash settled	–	(105,328)	–
Capital Reduction	–	12,072,777	–
At 30 September 2013	3,130,832	(2,497,290)	24,403,594

NOTES TO THE FINANCIAL STATEMENTS continued

20. RESERVES continued

	Merger reserve £	*Accumulated losses* £
Company		
At 17 October 2011	–	–
Loss for the period	–	(4,347,474)
Share based payment expense	–	385,624
Acquisition of subsidiary	3,130,832	–
At 30 September 2012	3,130,832	(3,961,850)
At 1 October 2012	3,130,832	(3,961,850)
Loss for the Year	–	(9,326,721)
Share based payment expense	–	1,113,135
Reclassification of equity settled share based payment to cash settled	–	(105,328)
Capital Reduction	–	12,072,777
At 30 September 2013	3,130,832	(207,987)

Capital reduction

On 19 October 2012, 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 at that time of £12,072,777, pursuant to a Solvency Statement made by the Directors on 30 September 2012 under Section 643 of the Companies Act 2006, made for the purposes of Section 642 of the Companies Act 2006. The purpose of this reduction was to enable the Company to satisfy the net asset test required to re-register as a public limited company.

Merger reserve

The merger reserve arose on the acquisition of SQi3 Solutions Limited on 28 September 2012. 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.

NOTES TO THE FINANCIAL STATEMENTS continued

20. RESERVES continued

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 owns 20% of the issued share capital of Data2Text Limited and holds an option to acquire the remaining 80% shareholding thus giving it control. Therefore a non-controlling interest in respect of the remaining 80% has been recognised. The Group owns 0% of the share capital of Global IP Inc., however it has entered into an agreement which provides the Group with the option to enter an exclusive license to the rights, places restrictions on Global IP Inc. undertaking activities without the Company's consent and provides that once certain conditions are met the Company has an obligation to acquire Global IP Inc. Therefore de facto control was obtained.

	Non-Controlling Interest £
At 17 October 2011	–
Relating to acquisition of Data2Text Ltd	23,721,956
Relating to acquisition of Global IP Inc.	2,358,948
At 30 September 2012	26,080,904

	£
At 1 October 2012	26,080,904
Share of loss of Data2Text Limited	(796,600)
Share of loss of Global IP Inc.	(880,710)
At 30 September 2013	24,403,594

21. OBLIGATIONS UNDER OPERATING LEASES

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

	2013 Land & Buildings £	*2012 Land & Buildings* £
Group		
No later than one year	201,054	173,297
Later than one year, and not later than five years	468,222	608,231
Total	669,276	781,528

	2013 Land & Buildings £	*2012 Land & Buildings* £
Company		
No later than one year	169,596	155,097
Later than one year, and not later than five years	468,222	608,231
Total	637,818	763,328

NOTES TO THE FINANCIAL STATEMENTS continued

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.

Categories of financial instruments

	Group 30 September 2013 £	*Group 30 September 2012 £*	*Company 30 September 2013 £*	*Company 30 September 2012 £*
Loans and receivables				
Cash and cash equivalents	3,939,457	8,866,018	3,391,238	8,594,150
Trade and other receivables – current	1,434,963	367,291	2,247,131	615,079
Trade and other receivables – non-current	167,736	169,716	167,636	169,716
Financial Liabilities at amortised cost				
Trade and other payables	2,743,999	2,175,659	2,398,971	2,229,924
Borrowings – current	346,063	338,802	346,063	338,802

NOTES TO THE FINANCIAL STATEMENTS continued

22. FINANCIAL INSTRUMENTS continued

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 2013.

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

	Group 30 September 2013 £	*Group 30 September 2012 £*	*Company 30 September 2013 £*	*Company 30 September 2012 £*
Assets				
US$	3,794,923	8,156,804	3,276,132	8,119,68
NZ$	6,286	13,356	6,286	13,356
Liabilities				
US$	273,728	67,919	273,728	67,919
NZ$	29,024	212,648	29,024	212,648
AUS$	30,508	–	30,508	–
EUR	3,948	–	3,820	–

As at 30 September 2013, if the currency had weakened/strengthened by 5% against the pound sterling, with all else held constant, profit for the year would have been £108,898 lower/higher (2012: £404.923 lower/higher).

ii) Interest rate risk management

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

Interest rate sensitivity analysis

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

The losses recorded by both the Group and the Company for the year ended 30 September 2013 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 2015. 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.

NOTES TO THE FINANCIAL STATEMENTS continued

22. FINANCIAL INSTRUMENTS continued

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 £	*6-12 months £*	*Over 12 months £*	*Total £*
Group				
Trade and other payables	2,712,932	24,653	6,414	2,743,999
Borrowings – current	–	–	346,063	346,063
	2,712,932	24,653	352,477	3,090,062

	0-6 months £	*6-12 months £*	*Over 12 months £*	*Total £*
Company				
Trade and other payables	2,367,904	24,653	6,414	2,398,971
Borrowings – current	–	–	346,063	346,063
	2,367,904	24,653	352,477	2,745,034

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.

Capital structure

	30 September 2013 £	*30 September 2012 £*
Group		
Cash and cash equivalents	3,939,457	8,866,018
Loan notes	346,063	338,802
Equity	4,920,563	9,486,177
Total	9,206,083	18,690,997

NOTES TO THE FINANCIAL STATEMENTS continued

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

	2013	*2012*
	£	*£*
Purchases of services:		
Key management personnel	–	–
Close family members of key management personnel	247,349	86,498
Total	247,349	86,498

Fees totaling US$140,935 (2012: US$36,667) were paid to Gerald Henry, the brother of former director Brian Henry, for consultancy services provided via the Arria Design Group Limited.

The Company also paid Yankee Hill LLC, a company owned by a former Director (Bob Craig) fees of US$57,701 (2012: US$45,000) for the provision of professional services provided by Rob Craig to the Company during the Year, and US$32,640 (2012: US$55,000) for the provision of professional services provided by Melissa Craig during the Year.

(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:

	2013	*2012*
	£	*£*
Salaries and other short-term benefits	2,010,867	450,468
Company contributions to money purchase pension schemes	36,707	9,849
Post-employment benefits	–	–
Share-based payments	565,974	385,624
Total	2,613,548	845,941

NOTES TO THE FINANCIAL STATEMENTS continued

24 RELATED PARTY TRANSACTIONS continued

*(c) Directors**

	2013 £	2012 £
Aggregate emoluments	1,828,056	427,135
Company contributions to money purchase pension scheme	29,707	8,682
Total	1,857,763	435,817

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

The highest paid Director received total emoluments of £361,701 (2012: £108,821).

There were no options exercised in the year (2012: nil). There were no amounts receivable under long term incentive schemes in the year (2012: nil).

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

	2013 £	2012 £
Payables:		
Close family members of key management personnel	108,056	14,292
Total	108,056	14,292

At 30 September 2013, the Company owed Gerald Henry £88,951 (2012: US$23,082) by way of expenses incurred on behalf of the company not yet reimbursed at 30 September 2013. This balance was fully repaid in October 2013.

(e) Loans from related parties

	2013 £	2012 £
Loans from key management personnel:		
Advanced during the Year	329,808	533,000
Converted to A preference shares	–	(208,000)
Repaid during the Year	–	–
Interest charged	16,254	4,808
At 30 September 2013	346,062	329,808
Loans from close family members of key management personnel:		
Advanced during the Year	16,446	621,117
Converted to A preference shares	–	(416,000)
Repaid during the Year	(16,881)	(191,316)
Interest charged	435	2,645
At 30 September 2013	–	16,446

The loan from key management personnel relates 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 £329,080 included accrued interest of £4,080. A further £16,254 of interest was accrued during the year.

NOTES TO THE FINANCIAL STATEMENTS continued

24. RELATED PARTY TRANSACTIONS continued

(f) Acquisitions from related parties

Acquisitions from close family members of key management personnel

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 (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 5,077,753 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, 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 Data2Text Limited and owned 18.4 per cent. of Data2Text Limited prior to the acquisition of the remaining 80 per cent. of Data2Text Limited by the Company. On the successful conclusion of the acquisition of the remaining 80 per cent. of Data 2 Text Limited by the Company, Ian Davy received his proportion of the consideration payable to the shareholders of Data2Text Limited by the Company. The equity portion of the consideration eventually paid for the acquisition of the remaining 80 per cent. of 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 received £718,750 in cash and 5,328,062 Ordinary shares in the Company.

(g) Share transactions with related parties

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

	2013 *Number*	*2013* *£*	*2012* *Number*	*2012* *£*
Purchases by key management personnel:				
Ordinary shares	2,300,000	2,300	19,685,760	19,686
Class A preference shares	–	–	308,000	166,621
Total	2,300,000	2,300	19,993,760	186,307
Purchases by close family members of key management personnel:				
Ordinary shares	–	–	2,392,982	2,393
Class A preference shares	40,000	40	1,084,345	695,237
Class B preference shares	–	–	5,077,573	3,135,909
Total	40,000	40	8,554,900	3,833,539

During the year 1,500,000 of ordinary shares purchased by key management personnel were purchased at nominal value. The remaining 800,000 were made at prices consistent with other investors.

NOTES TO THE FINANCIAL STATEMENTS continued

24. RELATED PARTY TRANSACTIONS continued

Company

The following transactions with subsidiaries occurred during the year:

During the year the Company paid Data2Text Limited £764,508 (2012: £203,085) for technology transfer services and strategy success fees.

During the year Company provided loan funding totalling £432,830 (2012: £117,141) to SQM3 Limited to fund the development of a demonstrator prototype application of the SQM3 product.

During the year the Company provided loan funding totalling £76,749 (2012: £nil) to ARRIA NLG B.V to fund the establishment of the subsidiary and its operating costs.

25. SUBSEQUENT EVENTS

In preparation for the admission to trading of shares on the AIM market of the London Stock Exchange the Company undertook a fund raising and reorganisation of share capital, the details of which are set out below;

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.

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.

During the month of October, 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 Alternative Investment Market of the London Stock Exchange. 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 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 Alternative Investment Market of the London Stock Exchange on 5 December 2013.

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.

On 7 November 2013, the Company reregistered as a public limited company.

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

25. SUBSEQUENT EVENTS continued

On 5 December 2013, the Company's Ordinary shares and warrants over Ordinary shares commenced to trade on the London Stock Exchange Alternative Investment Market.

On 20 December 2013, the Company issued 281,250 ordinary shares with a nominal value of £0.001 each for cash consideration of US$450,000, along with 281,250 warrants for 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 Arria loan notes. The Company now has £50,394 of loan notes outstanding.

26. ULTIMATE PARENT COMPANY

The shares of the Company are widely held and there is no one controlling party.

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