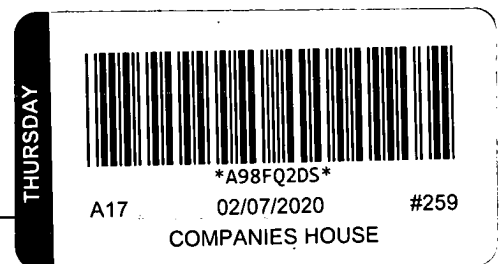


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REGISTERED NUMBER: 05614524 (England and Wales)

**Group Strategic Report, Report of the Directors and
Consolidated Financial Statements for the Year Ended 31 December 2019
for
Dotmatics Limited**



Dotmatics Limited (Registered number: 05614524)

**Contents of the Consolidated Financial Statements
for the Year Ended 31 December 2019**

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Dotmatics Limited

**Company Information
for the Year Ended 31 December 2019**

DIRECTORS:

Dr S C Gallagher
Mr A W Hill
Mr S J Powell
Mr K R Davidson
Mr A V Bhat

SECRETARY:

Mrs S F Hill

REGISTERED OFFICE:

The Old Monastery
Windhill
Bishop's Stortford
Hertfordshire
CM23 2ND

REGISTERED NUMBER:

05614524 (England and Wales)

Dotmatics Limited (Registered number: 05614524)

**Group Strategic Report
for the Year Ended 31 December 2019**

The directors present their strategic report of the company and the group for the year ended 31 December 2019.

BUSINESS OVERVIEW

The principal activity of the group in the year under review was that of the development, sale and support of scientific informatics software. The group has customers in a variety of international territories such as the UK, EU, USA, Canada, Australia, South Korea and Japan. Our customers are typically engaged in research and development (R&D) in the chemical, pharmaceutical, biotechnology, food, personal care and agrochemical industries.

The business model is focused on the provision of software as a service with professional services providing installation, configuration, support, training and consultancy services to support license sale growth.

The directors are pleased to report revenue growth of 21%, with strong levels of growth in each geographic market identified above. Profit before tax of 11% of turnover was also a positive which resulted in strong operating cash flows. Our R&D efforts continue to benefit from high levels of investment in the continued development of our scientific software suite, which allows us to improve existing products and services and develop new tools to expand our offering to customers.

The scientific informatics market continues to grow through a mixture of new companies acquiring software from scratch and established businesses looking to migrate or consolidate away from legacy systems. Areas of opportunity are biologics, externalised research, lab automation and the cloud.

The group's objectives are to become the global standard and best-of-breed provider of electronic data capture, data management, data analysis and reporting software across multiple research and development organisations and industries.

PRINCIPAL RISKS AND UNCERTAINTIES

The directors routinely monitor all known risks and uncertainties and appropriate actions are taken to mitigate the risks and their potential outcomes.

Specific risks to the group include its relationships with key customers and fluctuations in foreign exchange rates. The group continues to foster strong relationships with its customers and strives to deliver industry-leading levels of support to ensure customer satisfaction. The directors manage foreign exchange rate fluctuations by careful monitoring, controlling local pricing and exchanging currency holdings as appropriate.

The Brexit process also represents a risk to the company. The directors believe the group to be well placed to react to any changes in market conditions as they unfold, due to significant trading relations with customers in the USA and other geographical locations outside the EU. Additionally, the majority of staff employed by the group are employed within the UK or otherwise outside the EU.

Covid-19 has also emerged as a risk factor in early 2020. While it is early and the situation continues to develop, Dotmatics strong customer base, the recurring nature of our revenue and strong balance sheet provide us with a stable base with which to face this challenge. The directors will continue to monitor the situation frequently in order to assess any potential impact to Dotmatics.

The company also continues to benefit from strong financial backing from equity investors Scottish Equity Partners.

KEY PERFORMANCE INDICATORS

Key performance indicators for the business are revenue growth, profit before tax as a percentage of turnover and operating cashflow. The figures were 21%, 11% and £3,263,141 respectively.

Dotmatics Limited (Registered number: 05614524)

**Group Strategic Report
for the Year Ended 31 December 2019**

FUTURE DEVELOPMENTS

Since the statement of financial position date, further R&D has been undertaken to continue enhancing the support and informatics capabilities of our customers. The initial results of the 2020 financial year have shown the increased growth of the group's turnover in comparison with the 2017, 2018, and 2019 financial years.

In the first quarter of 2020, the Covid-19 outbreak has resulted in governments across the world imposing restrictions on people and businesses. Dotmatics staff have been able to adapt to working from home in all regions, and we will continue to monitor and respond to the developments in each of the regions in which we operate.

ON BEHALF OF THE BOARD:



.....
Mr A W Hill - Director

Date: 16 June 2020

Dotmatics Limited (Registered number: 05614524)

**Report of the Directors
for the Year Ended 31 December 2019**

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2019.

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of the development and sale of software.

DIVIDENDS

The group profit for the year, after taxation, amounted to £2,734,845 (2018 - £4,956,023).

The total distribution of dividends for the year ended 31 December 2019 is £Nil (2018 - £Nil).

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

Dr S C Gallagher
Mr A W Hill
Mr S J Powell
Mr K R Davidson
Mr A V Bhat

POST BALANCE SHEET EVENTS

There have been no events subsequent to the reporting date that require adjustment to the 2019 consolidated and company statutory accounts.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide.

The directors have considered the Covid-19 Outbreak, its potential impact on the Group and Company's future cash flows and its ability to continue to operate, as further explained in the Going Concern assessment.

GOING CONCERN

The Group has generated net profits and cash inflows from operating activities over the past two years, and continues to grow. As at 31 December 2019, the Group had total equity of £1,453,432, and net current assets of £4,004,841. It generated a net profit for the year to 31 December 2019 of £2,734,845 and generated cash from operating activities of £3,458,092. As at 31 December 2019, the Group had cash and cash equivalents of £10,049,391 and total bank loans payable of £326,404, of which only £117,083 is due prior to 31 December 2021.

The company has considered the impact of the Covid-19 crisis on its ability to continue as a going concern. It has considered the recurring nature of the company's license revenue from its existing customers and expected service revenues therefrom, alongside its current pipeline of new sales opportunities. It has considered the strength of its existing and targeted customer base and the impact of restrictions on their ability to continue to operate during at least the next twelve months. It has considered the potential impact on its key suppliers, and has not experienced any significant impact on availability of services. The group's employees have adapted well to working from home where required. The Directors have revisited the Group's forecasts to 31 December 2021, to consider a range of scenarios, based on experience to date during the restrictions, and all reasonably possible scenarios enabled the Group's operations to continue to be funded from existing cash reserves, for at least twelve months from the date of signing these financial statements. The Directors therefore concluded that no material uncertainty over the group and company going concern basis of accounting exists as at the date of signing the financial statements.

As such, after careful consideration, the directors consider that it remains appropriate to prepare the accounts on a going concern basis.

Dotmatics Limited (Registered number: 05614524)

**Report of the Directors
for the Year Ended 31 December 2019**

DISCLOSURE IN THE STRATEGIC REPORT

Information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 has been included within the Strategic Report in accordance with section 414C(11) of the Companies Act 2006.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

- select suitable accounting policies and then apply them consistently;
- make 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 will continue in business.

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director 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 group's auditors are aware of that information.

AUDITORS

The auditors, BDO LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

Steve Gallagher

.....
Dr S C Gallagher - Director

Date: 16 June 2020

Report of the Independent Auditors to the Members of Dotmatics Limited

Opinion

We have audited the financial statements of Dotmatics Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and Notes to the Consolidated Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company affairs as at 31 December 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Report of the Independent Auditors to the Members of Dotmatics Limited

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page five, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Ian Oliver (Senior Statutory Auditor)
for and on behalf of BDO LLP, Statutory Auditor
Thames Tower
Station Road
Reading
Berkshire
RG1 1LX

Date: 16 June 2020

Dotmatics Limited (Registered number: 05614524)**Consolidated Statement of Comprehensive Income
for the Year Ended 31 December 2019**

	Notes	2019 £	2018 £
TURNOVER	4	26,048,356	21,485,410
Cost of sales		<u>(1,582,624)</u>	<u>(1,197,723)</u>
GROSS PROFIT		24,465,732	20,287,687
Administrative expenses		<u>(21,665,407)</u>	<u>(16,038,812)</u>
OPERATING PROFIT	6	2,800,325	4,248,875
Interest receivable and similar income		<u>59,900</u>	<u>8,927</u>
		2,860,225	4,257,802
Interest payable and similar expenses	7	<u>(16,916)</u>	<u>(11,348)</u>
PROFIT BEFORE TAXATION		2,843,309	4,246,454
Tax on profit	8	<u>(108,464)</u>	<u>709,569</u>
PROFIT FOR THE FINANCIAL YEAR		2,734,845	4,956,023
OTHER COMPREHENSIVE INCOME			
Cumulative translation adjustment		(72,312)	119,392
Income tax relating to other comprehensive income		<u>-</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		<u>(72,312)</u>	<u>119,392</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>2,662,533</u></u>	<u><u>5,075,415</u></u>
Profit attributable to: Owners of the parent		<u><u>2,734,845</u></u>	<u><u>4,956,023</u></u>
Total comprehensive income attributable to: Owners of the parent		<u><u>2,662,533</u></u>	<u><u>5,075,415</u></u>

The notes on pages 17 to 35 form part of these financial statements

Dotmatics Limited (Registered number: 05614524)**Consolidated Balance Sheet
31 December 2019**

	Notes	2019 £	2018 £
FIXED ASSETS			
Tangible assets	10	1,251,918	1,175,462
Investments	11	-	-
		<u>1,251,918</u>	<u>1,175,462</u>
CURRENT ASSETS			
Debtors	12	11,239,302	8,773,144
Cash at bank and in hand		<u>10,049,391</u>	<u>6,786,250</u>
		21,288,693	15,559,394
CREDITORS			
Amounts falling due within one year	13	<u>(17,283,852)</u>	<u>(14,014,362)</u>
NET CURRENT ASSETS		<u>4,004,841</u>	<u>1,545,032</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,256,759	2,720,494
CREDITORS			
Amounts falling due after more than one year	14	(3,749,060)	(3,975,748)
PROVISIONS FOR LIABILITIES	19	<u>(54,267)</u>	<u>(139,430)</u>
NET ASSETS/(LIABILITIES)		<u>1,453,432</u>	<u>(1,394,684)</u>
CAPITAL AND RESERVES			
Called up share capital	20	52	52
Share premium	21	1,495	1,495
Capital redemption reserve	21	5	5
Other reserves	21	358,492	172,909
Retained earnings	21	<u>1,093,388</u>	<u>(1,569,145)</u>
SHAREHOLDERS' FUNDS		<u>1,453,432</u>	<u>(1,394,684)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 16 June 2020 and were signed on its behalf by:



.....
Mr A W Hill - Director



.....
Dr S C Gallagher - Director

The notes on pages 17 to 35 form part of these financial statements

Dotmatics Limited (Registered number: 05614524)**Company Balance Sheet
31 December 2019**

	Notes	2019 £	2018 £
FIXED ASSETS			
Tangible assets	10	1,168,018	1,100,160
Investments	11	<u>4,140</u>	<u>673</u>
		<u>1,172,158</u>	<u>1,100,833</u>
CURRENT ASSETS			
Debtors	12	5,928,360	6,090,767
Cash at bank and in hand		<u>8,700,484</u>	<u>5,288,931</u>
		14,628,844	11,379,698
CREDITORS			
Amounts falling due within one year	13	<u>(12,653,085)</u>	<u>(11,261,606)</u>
NET CURRENT ASSETS		<u>1,975,759</u>	<u>118,092</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		3,147,917	1,218,925
CREDITORS			
Amounts falling due after more than one year	14	(2,235,859)	(2,761,510)
PROVISIONS FOR LIABILITIES	19	<u>(54,267)</u>	<u>(139,430)</u>
NET ASSETS/(LIABILITIES)		<u>857,791</u>	<u>(1,682,015)</u>
CAPITAL AND RESERVES			
Called up share capital	20	52	52
Share premium	21	1,495	1,495
Capital redemption reserve	21	5	5
Other reserves	21	358,492	172,909
Retained earnings	21	<u>497,747</u>	<u>(1,856,476)</u>
SHAREHOLDERS' FUNDS		<u>857,791</u>	<u>(1,682,015)</u>
Company's profit for the financial year		<u>2,354,223</u>	<u>4,821,623</u>

The notes on pages 17 to 35 form part of these financial statements

Dotmatics Limited (Registered number: 05614524)

Company Balance Sheet - continued
31 December 2019

The financial statements were approved by the Board of Directors and authorised for issue on 16 June 2020 and were signed on its behalf by:



.....
Mr A W Hill - Director



.....
Dr S C Gallagher - Director

The notes on pages 17 to 35 form part of these financial statements

Dotmatics Limited (Registered number: 05614524)**Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2019**

	Called up share capital £	Retained earnings £	Share premium £
Balance at 1 January 2018	52	(6,644,563)	-
Changes in equity			
Issue of share capital	-	-	1,495
Total comprehensive income	-	5,075,418	-
Share-based payment credit	-	-	-
Balance at 31 December 2018	<u>52</u>	<u>(1,569,145)</u>	<u>1,495</u>
Changes in equity			
Total comprehensive income	-	2,662,533	-
Share-based payment credit	-	-	-
Balance at 31 December 2019	<u>52</u>	<u>1,093,388</u>	<u>1,495</u>
	Capital redemption reserve £	Other reserves £	Total equity £
Balance at 1 January 2018	5	-	(6,644,506)
Changes in equity			
Issue of share capital	-	-	1,495
Total comprehensive income	-	-	5,075,418
Share-based payment credit	-	172,909	172,909
Balance at 31 December 2018	<u>5</u>	<u>172,909</u>	<u>(1,394,684)</u>
Changes in equity			
Total comprehensive income	-	-	2,662,533
Share-based payment credit	-	185,583	185,583
Balance at 31 December 2019	<u>5</u>	<u>358,492</u>	<u>1,453,432</u>

The notes on pages 17 to 35 form part of these financial statements

Dotmatics Limited (Registered number: 05614524)**Company Statement of Changes in Equity
for the Year Ended 31 December 2019**

	Called up share capital £	Retained earnings £	Share premium £
Balance at 1 January 2018	52	(6,678,101)	-
Changes in equity			
Issue of share capital	-	-	1,495
Total comprehensive income	-	4,821,625	-
Share-based payment credit	-	-	-
Balance at 31 December 2018	<u>52</u>	<u>(1,856,476)</u>	<u>1,495</u>
Changes in equity			
Total comprehensive income	-	2,354,223	-
Share-based payment credit	-	-	-
Balance at 31 December 2019	<u>52</u>	<u>497,747</u>	<u>1,495</u>
	Capital redemption reserve £	Other reserves £	Total equity £
Balance at 1 January 2018	5	-	(6,678,044)
Changes in equity			
Issue of share capital	-	-	1,495
Total comprehensive income	-	-	4,821,625
Share-based payment credit	-	172,909	172,909
Balance at 31 December 2018	<u>5</u>	<u>172,909</u>	<u>(1,682,015)</u>
Changes in equity			
Total comprehensive income	-	-	2,354,223
Share-based payment credit	-	185,583	185,583
Balance at 31 December 2019	<u>5</u>	<u>358,492</u>	<u>857,791</u>

The notes on pages 17 to 35 form part of these financial statements

Dotmatics Limited (Registered number: 05614524)**Consolidated Cash Flow Statement
for the Year Ended 31 December 2019**

	Notes	2019 £	2018 £
Cash flows from operating activities			
Cash generated from operations	1	3,511,178	1,193,306
Tax paid		<u>(53,086)</u>	<u>(12,509)</u>
Net cash from operating activities		<u>3,458,092</u>	<u>1,180,797</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(186,158)	(128,863)
Sale of tangible fixed assets		191	-
Interest received		<u>59,900</u>	<u>8,927</u>
Net cash from investing activities		<u>(126,067)</u>	<u>(119,936)</u>
Cash flows from financing activities			
Loan repayments in year		(51,968)	(48,351)
Interest paid		(16,916)	(11,348)
Share issue		<u>-</u>	<u>1,500</u>
Net cash from financing activities		<u>(68,884)</u>	<u>(58,199)</u>
Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year	2	6,786,250	5,783,588
Cash and cash equivalents at end of year	2	<u>10,049,391</u>	<u>6,786,250</u>

The notes on pages 17 to 35 form part of these financial statements

Dotmatics Limited (Registered number: 05614524)**Notes to the Consolidated Cash Flow Statement
for the Year Ended 31 December 2019****1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2019 £	2018 £
Profit before taxation	2,843,309	4,246,454
Depreciation charges	107,147	29,504
Loss on disposal of fixed assets	2,363	-
Decrease in amounts owed to groups	(3,470)	(142,023)
Decrease in provisions	(85,163)	3,470
Share option expense	185,583	172,909
Effect of closing translation adjustment	(72,312)	12,509
Finance costs	16,916	11,348
Finance income	<u>(59,900)</u>	<u>(8,927)</u>
	2,934,473	4,325,244
Increase in trade and other debtors	(2,521,536)	(1,311,253)
Increase/(decrease) in trade and other creditors	<u>3,098,241</u>	<u>(1,820,685)</u>
Cash generated from operations	<u><u>3,511,178</u></u>	<u><u>1,193,306</u></u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2019

	31/12/19 £	1/1/19 £
Cash and cash equivalents	<u>10,049,391</u>	<u>6,786,250</u>

Year ended 31 December 2018

	31/12/18 £	1/1/18 £
Cash and cash equivalents	<u>6,786,250</u>	<u>5,783,588</u>

The notes on pages 17 to 35 form part of these financial statements

Dotmatics Limited (Registered number: 05614524)**Notes to the Consolidated Cash Flow Statement
for the Year Ended 31 December 2019****3. ANALYSIS OF CHANGES IN NET FUNDS**

	At 1/1/19 £	Cash flow £	At 31/12/19 £
Net cash			
Cash at bank and in hand	<u>6,786,250</u>	<u>3,263,141</u>	<u>10,049,391</u>
	<u>6,786,250</u>	<u>3,263,141</u>	<u>10,049,391</u>
Debt			
Debts falling due within 1 year	(51,343)	(6,114)	(57,457)
Debts falling due after 1 year	<u>(327,030)</u>	<u>58,083</u>	<u>(268,947)</u>
	<u>(378,373)</u>	<u>51,969</u>	<u>(326,404)</u>
Total	<u><u>6,407,877</u></u>	<u><u>3,315,110</u></u>	<u><u>9,722,987</u></u>

The notes on pages 17 to 35 form part of these financial statements

Dotmatics Limited (Registered number: 05614524)

**Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2019**

1. STATUTORY INFORMATION

Dotmatics Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the *General Information page*.

The presentation currency of the financial statements is the Pound Sterling (£).

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

3. ACCOUNTING POLICIES

Basis of preparing the financial statements

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

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

The following principal accounting policies have been applied:

Basis of consolidation

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

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- only one reconciliation of the number of shares outstanding at the beginning and end of the period had been presented as the reconciliations for the group and parent company would be identical;
- no cash flow statement has been presented for the parent company;
- disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole;
- disclosures in respect of the parent company's share based payment arrangements have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- no disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

Dotmatics Limited (Registered number: 05614524)

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019**

3. ACCOUNTING POLICIES - continued

Critical accounting judgements and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the company either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Tangible fixed assets

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Share Options

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. The fair value is calculated using a Black-Scholes model with a number of inputs, of which volatility, share market value and period to exercise in particular are subject to estimation. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

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

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

Dotmatics Limited (Registered number: 05614524)

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019**

3. ACCOUNTING POLICIES - continued

Turnover

Turnover represents net invoiced sales, excluding VAT, together with any adjustment for deferred revenue.

Licence fees charged include the initial installation and set up of the software and a right to use the software for a fixed contract period.

To the extent that it relates to the installation and set up of the software, revenue is recognised at the invoice date.

The residual invoiced amounts in relation to software license sales invoiced are recognised evenly over the term of the licence period. Income relating to future accounting periods is recognised as deferred income within the financial statements when invoiced and recognised as revenue within the consolidated statement of comprehensive income during the corresponding financial period.

Other income in relation to consultation, additional training or other services provided is recognised during the accounting period in which the service is carried out for the customer.

Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Freehold property (excluding land)	- 50 years straight line
Improvements to property	- Straight line over 15 years
Fixtures and fittings	- 25% - 50% on reducing balance and 3-4 years straight line
Plant and machinery	- 25% - 50% on reducing balance and 3-4 years straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instruments.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes, in effect, a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Dotmatics Limited (Registered number: 05614524)

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019**

3. ACCOUNTING POLICIES - continued

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Foreign currency translation

Functional and presentation currency

The group's and company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. Foreign subsidiaries use the local currencies of the country where they operate. On consolidation, the results of overseas operations are translated into Pounds Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses are recorded in administrative expenses in the income statement.

Hire purchase and leasing commitments

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

Dotmatics Limited (Registered number: 05614524)

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019**

3. ACCOUNTING POLICIES - continued

Pension costs and other post-retirement benefits

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

The contributions are recognised as an expense in the consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the group in independently administered funds.

Financial instruments

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

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

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

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

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

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Stock options

Dotmatics Limited operates an equity-settled share based remuneration scheme for employees. Employees are eligible to participate in the long term incentive scheme, the only vesting condition being that the individual remains an employee of the group over the three year vesting period.

Dotmatics Limited (Registered number: 05614524)**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019****4. TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the group.

An analysis of turnover by geographical market is given below:

	2019	2018
	£	£
United Kingdom	4,316,646	3,626,992
Europe	5,368,749	4,358,538
Asia	2,527,955	1,583,213
Australasia	330,708	246,519
North America	13,418,698	11,557,070
Africa	<u>85,600</u>	<u>113,078</u>
	<u>26,048,356</u>	<u>21,485,410</u>

During the year the group recognised royalty income amounting to £265,500 (2018 - £215,810).

5. EMPLOYEES AND DIRECTORS

	2019	2018
	£	£
Wages and salaries	14,109,943	11,722,788
Social security costs	1,202,906	951,626
Other pension costs	<u>444,959</u>	<u>162,311</u>
	<u>15,757,808</u>	<u>12,836,725</u>

The average number of employees during the year was as follows:

	2019	2018
Directors	5	4
Administration and sales	59	57
Application scientists	78	68
Software developers	<u>43</u>	<u>33</u>
	<u>185</u>	<u>162</u>

	2019	2018
	£	£
Directors' remuneration	598,222	916,622
Directors' pension contributions to money purchase schemes	<u>20,000</u>	<u>20,000</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>2</u>	<u>2</u>
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Dotmatics Limited (Registered number: 05614524)**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019****5. EMPLOYEES AND DIRECTORS - continued**

Information regarding the highest paid director is as follows:

	2019	2018
	£	£
Emoluments etc	268,504	445,990
Pension contributions to money purchase schemes	<u>10,000</u>	<u>10,000</u>

6. OPERATING PROFIT

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

	2019	2018
	£	£
Other operating leases	74,220	94,424
Depreciation - owned assets	107,147	29,503
Loss on disposal of fixed assets	2,363	-
Foreign exchange differences	47,458	(66,534)
Research and development	1,892,984	1,969,487
Defined Contribution pension costs	444,959	50,995
Auditors' remuneration	<u>34,000</u>	<u>27,000</u>

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019	2018
	£	£
Bank loan interest	<u>16,916</u>	<u>11,348</u>

8. TAXATION**Analysis of the tax charge/(credit)**

The tax charge/(credit) on the profit for the year was as follows:

	2019	2018
	£	£
Current tax:		
UK corporation tax	53,086	12,509
Deferred tax	<u>55,378</u>	<u>(722,078)</u>
Tax on profit	<u>108,464</u>	<u>(709,569)</u>

UK corporation tax has been charged at 19% (2018 - 19%).

Dotmatics Limited (Registered number: 05614524)**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019****8. TAXATION - continued****Reconciliation of total tax charge/(credit) included in profit and loss**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £	2018 £
Profit before tax	<u>2,843,309</u>	<u>4,246,454</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	540,229	806,826
Effects of:		
Expenses not deductible for tax purposes	6,015	26,041
Capital allowances in excess of depreciation	(13,112)	-
Depreciation in excess of capital allowances	-	3,884
Loss on disposal of fixed assets	19	-
Enhanced taxation relief arising on research & development expenditure	(467,567)	(116,003)
Other timing differences leading to an increase (decrease) in taxation	(333)	22,935
Adjust closing deferred taxation to average rate of 19%	-	9,453
Adjust opening deferred taxation to average rate of 19%	-	(86,516)
Movement in deferred tax not recognised	30,554	(889,731)
Tax credits	-	(486,458)
Difference in foreign tax rates	<u>12,659</u>	<u>-</u>
Total tax charge/(credit)	<u>108,464</u>	<u>(709,569)</u>

Tax effects relating to effects of other comprehensive income

	2019		
	Gross £	Tax £	Net £
Cumulative translation adjustment	<u>(72,312)</u>	<u>-</u>	<u>(72,312)</u>
	2018		
	Gross £	Tax £	Net £
Consolidation foreign exchange variance	<u>119,392</u>	<u>-</u>	<u>119,392</u>

9. INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the parent company is not presented as part of these financial statements.

Dotmatics Limited (Registered number: 05614524)**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019****10. TANGIBLE FIXED ASSETS****Group**

	Freehold property £	Short leasehold £	Improvements to property £	
COST				
At 1 January 2019	951,200	-	31,007	
Additions	-	2,204	36,664	
Disposals	-	-	-	
Exchange differences	-	-	-	
At 31 December 2019	<u>951,200</u>	<u>2,204</u>	<u>67,671</u>	
DEPRECIATION				
At 1 January 2019	29,174	-	8,930	
Charge for year	4,024	37	3,252	
Exchange differences	-	-	-	
At 31 December 2019	<u>33,198</u>	<u>37</u>	<u>12,182</u>	
NET BOOK VALUE				
At 31 December 2019	<u>918,002</u>	<u>2,167</u>	<u>55,489</u>	
At 31 December 2018	<u>922,026</u>	<u>-</u>	<u>22,077</u>	
	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
COST				
At 1 January 2019	410,730	22,275	-	1,415,212
Additions	133,258	13,003	1,029	186,158
Disposals	(697)	-	-	(697)
Exchange differences	(3,667)	(186)	-	(3,853)
At 31 December 2019	<u>539,624</u>	<u>35,092</u>	<u>1,029</u>	<u>1,596,820</u>
DEPRECIATION				
At 1 January 2019	185,570	16,076	-	239,750
Charge for year	95,918	3,745	171	107,147
Exchange differences	(1,926)	(69)	-	(1,995)
At 31 December 2019	<u>279,562</u>	<u>19,752</u>	<u>171</u>	<u>344,902</u>
NET BOOK VALUE				
At 31 December 2019	<u>260,062</u>	<u>15,340</u>	<u>858</u>	<u>1,251,918</u>
At 31 December 2018	<u>225,160</u>	<u>6,199</u>	<u>-</u>	<u>1,175,462</u>

Included in cost of land and buildings is freehold land of £750,000 (2018 - £750,000) which is not depreciated.

Dotmatics Limited (Registered number: 05614524)**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019****10. TANGIBLE FIXED ASSETS - continued****Company**

	Freehold property £	Improvements to property £	Plant and machinery £
COST			
At 1 January 2019	951,200	31,007	300,669
Additions	-	36,664	103,551
At 31 December 2019	<u>951,200</u>	<u>67,671</u>	<u>404,220</u>
DEPRECIATION			
At 1 January 2019	29,174	8,930	147,317
Charge for year	4,024	3,252	72,010
At 31 December 2019	<u>33,198</u>	<u>12,182</u>	<u>219,327</u>
NET BOOK VALUE			
At 31 December 2019	<u>918,002</u>	<u>55,489</u>	<u>184,893</u>
At 31 December 2018	<u>922,026</u>	<u>22,077</u>	<u>153,352</u>
	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1 January 2019	16,702	-	1,299,578
Additions	8,944	1,029	150,188
At 31 December 2019	<u>25,646</u>	<u>1,029</u>	<u>1,449,766</u>
DEPRECIATION			
At 1 January 2019	13,998	-	199,419
Charge for year	2,872	171	82,329
At 31 December 2019	<u>16,870</u>	<u>171</u>	<u>281,748</u>
NET BOOK VALUE			
At 31 December 2019	<u>8,776</u>	<u>858</u>	<u>1,168,018</u>
At 31 December 2018	<u>2,704</u>	<u>-</u>	<u>1,100,159</u>

Included in cost of land and buildings is freehold land of £750,000 (2018 - £750,000) which is not depreciated.

Dotmatics Limited (Registered number: 05614524)**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019****11. FIXED ASSET INVESTMENTS**

Company	Shares in group undertakings £
COST	
At 1 January 2019	673
Additions	<u>3,467</u>
At 31 December 2019	<u>4,140</u>
NET BOOK VALUE	
At 31 December 2019	<u>4,140</u>
At 31 December 2018	<u>673</u>

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

Subsidiaries**Dotmatics, Inc.**

Registered office: C/O Kinloch & Associates P.C., 8808 Centre Park Dr, Columbia, MD 21045, United States
Nature of business: Software development and sales

Class of shares:	%		
Ordinary	holding	2019	2018
	100.00	£	£
Aggregate capital and reserves		651,077	387,296
Profit for the year		<u>499,341</u>	<u>256,009</u>

Dotmatics, Inc. is a company registered in the United States of America, under the jurisdiction of the State of Delaware, with registration number 84364596.

Dotmatics Australia Pty Ltd

Registered office: C/O Polyglot Group Pty Ltd, 25 Burton Street, Glebe NSW 2037, Australia
Nature of business: Software development and sales

Class of shares:	%		
Ordinary	holding	2019	2018
	100.00	£	£
Aggregate capital and reserves		(69,760)	91,900
Profit/(loss) for the year		<u>13,465</u>	<u>(49,009)</u>

Dotmatics Australia Pty Ltd is a company registered in Australia, under the Australian Company number 613502417 with the Australian Securities and Investments Commission.

Dotmatics Limited (Registered number: 05614524)**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019****13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Bank loans and overdrafts (see note 15)	57,457	51,343	57,457	50,185
Trade creditors	442,403	277,463	299,876	2,244,235
Amounts owed to group undertakings	-	3,470	3,811,288	-
Social security and other taxes	7,494	-	(4,472)	22,251
VAT	183,937	312,924	57,900	236,999
Other creditors	13,302	(115,135)	-	97,896
Deferred income < 1 year	14,929,576	12,815,721	7,311,304	7,941,464
Accrued expenses	1,649,683	668,576	1,119,732	668,576
	<u>17,283,852</u>	<u>14,014,362</u>	<u>12,653,085</u>	<u>11,261,606</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Bank loans (see note 15)	268,947	327,030	268,947	327,030
Deferred income > 1 year	3,480,113	3,648,718	1,966,912	2,434,480
	<u>3,749,060</u>	<u>3,975,748</u>	<u>2,235,859</u>	<u>2,761,510</u>

15. LOANS

An analysis of the maturity of loans is given below:

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Amounts falling due within one year or on demand:				
Bank loans	<u>57,457</u>	<u>51,343</u>	<u>57,457</u>	<u>50,185</u>
Amounts falling due between one and two years:				
Bank loans - 1-2 years	<u>59,626</u>	<u>52,904</u>	<u>59,626</u>	<u>52,904</u>
Amounts falling due between two and five years:				
Bank loans - 2-5 years	<u>190,967</u>	<u>168,566</u>	<u>190,967</u>	<u>168,566</u>
Amounts falling due in more than five years:				
Repayable by instalments				
Bank loans more 5 yr by instal	<u>18,354</u>	<u>105,560</u>	<u>18,354</u>	<u>105,560</u>

The bank loan is repayable by 180 monthly instalments starting in June 2010, interest is being charged at a rate of 2.51% above the Bank of England base rate.

Dotmatics Limited (Registered number: 05614524)**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019****16. LEASING AGREEMENTS**

Minimum lease payments fall due as follows:

Company	Non-cancellable operating leases	
	2019	2018
	£	£
Within one year	74,220	74,220
Between one and five years	295,202	296,880
In more than five years	<u>277,876</u>	<u>350,419</u>
	<u>647,298</u>	<u>721,519</u>

17. SECURED DEBTS

The following secured debts are included within creditors:

	Company	
	2019	2018
	£	£
Bank loans	<u>326,404</u>	<u>377,215</u>

A debenture was created on 24 May 2010 and a legal charge on 24 September 2010 in favour of the bank secured over freehold land and buildings and all other assets and rights of the company.

18. FINANCIAL INSTRUMENTS**Dotmatics Limited Group:**

The carrying amount for each category of financial instrument within the group is as follows:

	2019	2018
	£	£
Financial Assets		
Financial assets measured at fair value through the profit or loss:	-	-
Financial assets that are debt instruments measured at amortised cost:	18,583,259	15,208,769
Financial assets that are equity instruments measured at cost less impairment:	<u>-</u>	<u>-</u>
	18,583,259	15,208,769
Financial Liabilities		
Financial liabilities measured at fair value through the profit or loss:	-	-
Financial liabilities measured at amortised cost:	(768,807)	(1,957,118)
Loan commitments measured at cost less impairment:	<u>-</u>	<u>-</u>
	(768,807)	(1,957,118)

The directors consider that the carrying values of all the group's financial assets and liabilities approximate their fair values as at the balance sheet date.

Dotmatics Limited (Registered number: 05614524)**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019****19. PROVISIONS FOR LIABILITIES**

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Other provisions	<u>54,267</u>	<u>139,430</u>	<u>54,267</u>	<u>139,430</u>
Aggregate amounts	<u>54,267</u>	<u>139,430</u>	<u>54,267</u>	<u>139,430</u>
Group			Deferred tax £	Other provisions £
Balance at 1 January 2019			(722,077)	139,430
Provided during year			<u>55,378</u>	<u>(85,163)</u>
Balance at 31 December 2019			<u>(666,699)</u>	<u>54,267</u>
Company				Deferred tax £
Balance at 1 January 2019				(722,077)
Provided during year				<u>55,378</u>
Balance at 31 December 2019				<u>(666,699)</u>

The deferred tax balance comprises of a deferred tax asset of £683,582 (2018: £647,059) relating to unused trade losses carried forward and a deferred tax liability of £16,883 (2018: deferred tax asset £75,018) relating to other timing differences.

20. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid: Number:	Class:	Nominal value:	2019 £	2018 £
261,360	Ordinary	£0.0001	26	26
212,170	'A' Preferred	£0.0001	21	21
46,175	'B' Preferred	£0.0001	<u>5</u>	<u>5</u>
			<u>52</u>	<u>52</u>

Dotmatics Limited (Registered number: 05614524)**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019****21. RESERVES****Group**

	Retained earnings £	Share premium £	Capital redemption reserve £	Other reserves £	Totals £
At 1 January 2019	(1,569,145)	1,495	5	172,909	(1,394,736)
Profit for the year	2,734,845				2,734,845
Consolidation foreign exchange	(72,312)	-	-	-	(72,312)
Share option charge	-	-	-	185,583	185,583
At 31 December 2019	<u>1,093,388</u>	<u>1,495</u>	<u>5</u>	<u>358,492</u>	<u>1,453,380</u>

Company

	Retained earnings £	Share premium £	Capital redemption reserve £	Other reserves £	Totals £
At 1 January 2019	(1,856,476)	1,495	5	172,909	(1,682,067)
Profit for the year	2,354,223				2,354,223
Share option charge	-	-	-	185,583	185,583
At 31 December 2019	<u>497,747</u>	<u>1,495</u>	<u>5</u>	<u>358,492</u>	<u>857,739</u>

The company's capital and reserves are as follows:

Called up share capital

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

Share premium account

The share premium represents the excess consideration for shares issued over their nominal value, after deducting directly related issuance costs.

Capital redemption reserve

The capital redemption reserve contains the nominal value of own shares that have been acquired by the company and cancelled.

Share option reserve

The share option reserve represents the expense calculated regarding the share options issued during the year. Please see note 26 for further details.

Profit and loss account

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

Dotmatics Limited (Registered number: 05614524)**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019****22. PENSION COMMITMENTS**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £444,962 (2018 - £50,995). Contributions totalling £1,733 (2018 - £21,054) were payable to the fund at the reporting date and are included in creditors.

23. ULTIMATE PARENT COMPANY

Dotmatics Limited does not have a parent undertaking and is therefore the ultimate parent company of the group.

There is no individual ultimate controlling party.

24. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

Loan amounts owed to related parties are repayable on demand and interest free in the current and prior year.

Sales and purchases between related parties are made at normal market rates. Outstanding balances with such entities are unsecured, interest free and cash settlement is expected within 30 days of invoice.

The group has not provided or benefited from any guarantees for any amounts due to or from a related party as at the statement of financial position date.

Entities with control, joint control or significant influence over the entity

	2019	2018
	£	£
Expenses reimbursable to related parties	<u>-</u>	<u>17,310</u>

The above expenses were reimbursed to Scottish Equity Partners, a significant influence shareholder.

25. POST BALANCE SHEET EVENTS

There have been no events subsequent to the reporting date that require adjustment to the 2019 consolidated and company statutory accounts.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide.

The directors have considered the Covid-19 Outbreak, its potential impact on the Group and company future cash flows and their ability to continue to operate, as further explained in the Going Concern assessment.

Dotmatics Limited (Registered number: 05614524)**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019****26. SHARE-BASED PAYMENTS**

Dotmatics Limited operates an equity-settled share based remuneration scheme for employees. Employees are eligible to participate in the long term incentive scheme, the only vesting condition being that the individual remains an employee of the group over the three year vesting period.

Equity settled	Number 2019	Number 2018
Outstanding at the beginning of the year	16,410	-
Granted during the year	3,829	17,778
Expired during the year	-	(1,368)
Outstanding at the end of the year	<u>20,239</u>	<u>16,410</u>
	2019	2018
Weighted average share price at the date of exercise	-	£114.19
Weighted average exercise price of options outstanding	£114.19	£114.19
Range of exercise prices for options outstanding	£114.19	£114.19
Weighted average remaining contractual life, years	<u>8.53</u>	<u>9.27</u>

The Black Scholes valuation inputs for equity settled options were as follows:

	2019	2018
Share price	£114.19	£114.19
Exercise price	£114.19	£114.19
Expected volatility	23.00%	23.00%
Expected option life, years	0-5	0-5
Expected dividend yield	0.00%	0.00%
Risk free interest rate	0.46% - 1.08%	0.99%
Cash settled	Number 2019	Number 2018
Outstanding at the beginning of the year	1,094	-
Granted during the year	-	1,094
Outstanding at the end of the year	<u>1,094</u>	<u>1,094</u>
	2019	2018
Weighted average share price at the date of exercise	£114.19	£114.19
Weighted average exercise price of options outstanding	£114.19	£114.49
Range of exercise prices for options outstanding	£114.19	£114.19
Weighted average remaining contractual life, years	<u>8.51</u>	<u>9.51</u>

Dotmatics Limited (Registered number: 05614524)**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019**

The Black Scholes valuation inputs for cash settled options were as follows:

	2019	2018
Share price	£114.19	£114.19
Exercise price	£114.19	£114.19
Expected volatility	23.00%	23.00%
Expected option life, years	-	-
Expected dividend yield	0.00%	0.00%
Risk free interest rate	0.99%	0.99%

The share based payment charge associated with the options is calculated using the Black Scholes Model, and totals £185,583 (2018 - £172,909).

27. GOING CONCERN

The Group has generated net profits and cash inflows from operating activities over the past two years, and continues to grow. As at 31 December 2019, the Group had total equity of £1,453,432, and net current assets of £4,004,841. It generated a net profit for the year to 31 December 2019 of £2,734,845 and generated cash from operating activities of £3,458,092. As at 31 December 2019, the Group had cash and cash equivalents of £10,049,391 and total bank loans payable of £326,404, of which only £117,083 is due prior to 31 December 2021.

The company has considered the impact of the Covid-19 crisis on its ability to continue as a going concern. It has considered the recurring nature of the company's license revenue from its existing customers and expected service revenues therefrom, alongside its current pipeline of new sales opportunities. It has considered the strength of its existing and targeted customer base and the impact of restrictions on their ability to continue to operate during at least the next twelve months. It has considered the potential impact on its key suppliers, and has not experienced any significant impact on availability of services. The group's employees have adapted well to working from home where required. The Directors have revisited the Group's forecasts to 31 December 2021, to consider a range of scenarios, based on experience to date during the restrictions, and all reasonably possible scenarios enabled the Group's operations to continue to be funded for at least twelve months from existing cash reserves. The Directors therefore concluded that no material uncertainty over the group and company going concern basis of accounting exists as at the date of signing the financial statements.

As such, after careful consideration, the directors consider that it remains appropriate to prepare the accounts on a going concern basis.