

Dotmatics Limited

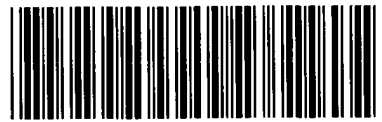
Annual Report and Financial Statements

Year Ended

31 December 2018

Company Number 05614524

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Dotmatics Limited

Company Information

Directors	S C Gallagher A W Hill S J Powell K R Davidson A V Bhat
Company secretary	S F Hill
Registered number	05614524
Registered office	The Old Monastery Windhill Bishops Stortford Hertfordshire CM23 2ND
Independent auditor	BDO LLP Thames Tower Station Road Reading Berkshire RG1 1LX

Dotmatics Limited

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Dotmatics Limited

Group Strategic Report For the Year Ended 31 December 2018

The directors present their strategic report together with the audited financial statements of the company and the group for the year ended 31 December 2018.

Business review

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 25%, with strong levels of growth in each geographic market identified above. Profit before tax of 20% 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.

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 25%, 20% and £1,180,797 respectively.

Dotmatics Limited

Group Strategic Report (continued)
For the Year Ended 31 December 2018

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 2019 financial year have shown the increased growth of the group's profit and turnover in comparison with the 2016, 2017, and 2018 financial years.

This report was approved by the board on 19 June 2019 and signed on its behalf.



A W Hill
Director

Dotmatics Limited

Directors' Report For the Year Ended 31 December 2018

The directors present their report together with the audited and company financial statements of the company and the group for the year ended 31 December 2018.

Principal activity

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

Business review

A business review, its principal risks and uncertainties and its likely future developments are all covered in the strategic report on pages 1 to 2 of these financial statements.

Results and dividends

The group profit for the year, after taxation, amounted to £4,956,023 (2017 - £2,921,525).

The total distribution of dividends for the year ended 31 December 2018 is £Nil (2017 - £752,632).

Directors

The directors who served during the year were:

S C Gallagher
A W Hill
S J Powell
K R Davidson
A V Bhat (appointed 30 October 2018)

Disclosure of information to auditor

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

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

Post statement of financial position events

There have been no significant events affecting the group since the year end.

Auditor

The auditor, BDO LLP, who was appointed during the year will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 19 June 2019 and signed on its behalf.



S C Gallagher
Director

Dotmatics Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2018

The directors are responsible for preparing the group strategic report, the directors' report and the consolidated and company 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 group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company 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 group 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.

Dotmatics Limited

Independent Auditor's Report 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 2018 which comprise the consolidated statement of comprehensive income, the statements of financial position, the consolidated and company statements of changes in equity, the consolidated statements of cashflows and 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's affairs as at 31 December 2018 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 auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company 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 or the parent company'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.

Dotmatics Limited

Independent Auditor's Report to the Members of Dotmatics Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the group strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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 and directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Dotmatics Limited

Independent Auditor's Report to the Members of Dotmatics Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 is 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.

Auditor's 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 an auditor's report 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 at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent 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 parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent 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
Reading
United Kingdom

4 July 2019

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

Dotmatics Limited

Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2018

	Note	2018 £	2017 £
Turnover	4	21,485,410	17,226,149
Cost of sales		(1,197,723)	(680,828)
Gross profit		20,287,687	16,545,321
Administrative expenses		(16,038,811)	(13,627,364)
Operating profit	5	4,248,876	2,917,957
Interest receivable and similar income	8	8,927	27,773
Interest payable and similar charges	9	(11,348)	(13,647)
Profit before taxation		4,246,455	2,932,083
Tax on profit	10	709,568	(10,558)
Profit for the financial year		4,956,023	2,921,525
Consolidation foreign exchange translation		119,392	-
Total comprehensive income for the year		<u>5,075,415</u>	<u>2,921,525</u>
Profit for the year attributable to:			
Owners of the parent company		<u>4,956,012</u>	<u>2,921,525</u>
Total comprehensive income for the year attributable to:			
Owners of the parent company		<u>5,075,415</u>	<u>2,921,525</u>

The notes on pages 19 to 43 form part of these financial statements.

Dotmatics Limited
Registered number: 05614524

Consolidated Statement of Financial Position (continued)
As at 31 December 2018

Consolidated Statement of Financial Position					
As at 31 December 2018					
	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible assets	12		1,175,462		1,076,102
Investments	13		-		-
			1,175,462		1,076,102
Current assets					
Debtors: amounts falling due after more than one year	14	139,990		-	
Debtors: amounts falling due within one year	14	8,633,154		6,726,949	
Cash at bank and in hand	15	6,786,250		5,783,588	
			15,559,394		12,510,537
Creditors: amounts falling due within one year	16	(14,014,361)		(14,929,818)	
Net current assets/(liabilities)			1,545,033		(2,419,281)
Total assets less current liabilities			2,720,495		(1,343,179)
Creditors: amounts falling due after more than one year	17		(3,975,748)		(5,013,924)
Provisions for liabilities					
Deferred taxation	21			(5,946)	
Other provisions	22	(139,430)		(281,453)	
			(139,430)		(287,399)
Net liabilities			(1,394,683)		(6,644,502)

Dotmatics Limited
Registered number: 05614524

Consolidated Statement of Financial Position (continued)
As at 31 December 2018

Capital and reserves

Called up share capital	23	52	52
Share premium account	24	1,495	-
Capital redemption reserve	24	5	5
Share based payment reserve	24	172,909	-
Profit and loss account	24	(1,569,144)	(6,644,559)
Total equity		<u>(1,394,683)</u>	<u>(6,644,502)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
19 JUNE 2019.



A W Hill
Director



S C Gallagher
Director

The notes on pages 19 to 43 form part of these financial statements.

Dotmatics Limited
Registered number: 05614524

Company Statement of Financial Position
As at 31 December 2018

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible assets	12		1,100,159		1,025,301
Investments	13		673		673
			<u>1,100,832</u>		<u>1,025,974</u>
Current assets					
Debtors: amounts falling due after more than one year	14	127,745		-	
Debtors: amounts falling due within one year	14	5,963,022		6,721,632	
Cash at bank and in hand	15	5,288,931		5,676,808	
			<u>11,379,698</u>		<u>12,398,440</u>
Creditors: amounts falling due within one year	16	(11,261,605)		(14,807,081)	
Net current assets/(liabilities)			<u>118,093</u>		<u>(2,408,641)</u>
Total assets less current liabilities			<u>1,218,925</u>		<u>(1,382,667)</u>
Creditors: amounts falling due after more than one year	17	(2,761,510)		(5,013,924)	
Provisions for liabilities					
Other provisions	22	(139,430)		(281,453)	
Net liabilities			<u>(1,682,015)</u>		<u>(6,678,044)</u>
Capital and reserves					
Called up share capital	23		52		52
Share premium account	24		1,500		-
Capital redemption reserve	24		-		5
Share based payment reserve	24		172,909		-
Profit and loss account	24		(1,856,476)		(6,678,101)
Total equity			<u>(1,682,015)</u>		<u>(6,678,044)</u>

Dotmatics Limited
Registered number: 05614524

Company Statement of Financial Position (continued)
As at 31 December 2018

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The profit after tax of the parent company for the year was £4,821,625 (2017 - £2,983,677).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
19 JUNE 2019.



A W Hill
Director



S C Gallagher
Director

The notes on pages 19 to 43 form part of these financial statements.

Dotmatics Limited

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2018

	Called up share capital £	Share premium account £	Capital redemptio n reserve £	Share options reserve £	Profit and loss account £	Total equity £
At 1 January 2018	52	-	5	-	(6,644,559)	(6,644,507)
Comprehensive income for the year						
Profit for the year	-	-	-	-	4,956,023	4,956,023
Consolidation foreign exchange translation	-	-	-	-	119,392	119,392
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,075,415</u>	<u>5,075,415</u>
Contributions by and distributions to owners						
Capital Contributions	-	1,495	-	-	-	1,495
Share option charge	-	-	-	172,909	-	172,909
Total transactions with owners	<u>-</u>	<u>1,495</u>	<u>-</u>	<u>172,909</u>	<u>-</u>	<u>174,404</u>
At 31 December 2018	<u><u>52</u></u>	<u><u>1,495</u></u>	<u><u>5</u></u>	<u><u>172,909</u></u>	<u><u>(1,596,144)</u></u>	<u><u>(1,394,683)</u></u>

Dotmatics Limited

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2017

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	57	-	(2,841,886)	(2,841,829)
Comprehensive income for the year				
Profit for the year	-	-	2,921,525	2,921,525
Total comprehensive income for the year	-	-	2,921,525	2,921,525
Contributions by and distributions to owners				
Dividends: equity capital	-	-	(752,632)	(752,632)
Company purchase of own shares	-	5	(5,971,566)	(5,971,561)
Shares issued during the year	(5)	-	-	(5)
Total transactions with owners	(5)	5	(6,644,559)	(6,644,559)
At 31 December 2017	52	5	(6,644,559)	(6,644,502)

The notes on pages 19 to 43 form part of these financial statements.

Dotmatics Limited

Company Statement of Changes in Equity For the Year Ended 31 December 2018

	Called up share capital	Share premium account	Capital redemption reserve	Share options reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2018	52	-	5	-	(6,678,101)	(6,678,044)
Comprehensive income for the year						
Profit for the year	-	-	-	-	4,821,625	4,821,625
Total comprehensive income for the year	-	-	-	-	4,821,625	4,821,625
Contributions by and distributions to owners						
Capital Contributions	-	1,495	-	-	-	1,495
Share option charge	-	-	-	172,909	-	172,909
Total transactions with owners	-	1,495	-	172,909	-	174,409
At 31 December 2018	<u>52</u>	<u>1,495</u>	<u>5</u>	<u>172,909</u>	<u>(1,856,476)</u>	<u>(1,682,015)</u>

Dotmatics Limited

Company Statement of Changes in Equity For the Year Ended 31 December 2017

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	57	-	(2,937,580)	(2,937,523)
Comprehensive income for the year				
Profit for the year	-	-	2,983,677	2,983,677
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>2,983,677</u>	<u>2,983,677</u>
Contributions by and distributions to owners				
Dividends: equity capital	-	-	(752,632)	(752,632)
Company purchase of own shares	-	5	(5,971,566)	(5,971,561)
Shares issued during the year	(5)	-	-	(5)
Total transactions with owners	<u>(5)</u>	<u>5</u>	<u>(6,724,198)</u>	<u>(6,724,198)</u>
At 31 December 2017	<u><u>52</u></u>	<u><u>5</u></u>	<u><u>(6,678,101)</u></u>	<u><u>(6,678,044)</u></u>

The notes on pages 19 to 43 form part of these financial statements.

Dotmatics Limited

Consolidated Statement of Cash Flows For the Year Ended 31 December 2018

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	4,246,455	2,932,083
Adjustments for:		
Depreciation of tangible assets	29,504	53,949
Loss on disposal of tangible assets	-	439
Interest paid	11,348	(13,647)
Interest received	(8,927)	(27,773)
Taxation charge	12,509	-
Increase in debtors	(1,311,253)	(1,504,284)
(Decrease)/increase in creditors	(1,820,686)	7,064,230
Increase in amounts owed to groups	3,470	-
Decrease in provisions	(142,023)	(20,354)
Tax paid	(12,509)	(12,016)
Finance costs	-	13,647
Share option expense	172,909	-
Net cash generated from operating activities	1,180,797	8,486,274
Cash flows from investing activities		
Purchase of tangible fixed assets	(128,863)	(109,174)
Interest received	8,927	27,773
Interest paid	(11,348)	-
Net cash from investing activities	(131,284)	(81,401)

Dotmatics Limited

Consolidated Statement of Cash Flows (continued) For the Year Ended 31 December 2018

	2018 £	2017 £
Cash flows from financing activities		
Issue of ordinary shares	1,500	-
Purchase of ordinary shares	-	(5,971,566)
Repayment of loans	(48,351)	(48,650)
Other new loans	-	(1,159)
Dividends paid	-	(752,632)
Net cash used in financing activities	<u>(46,851)</u>	<u>(6,774,007)</u>
Net increase in cash and cash equivalents	<u>1,002,662</u>	<u>1,630,866</u>
Cash and cash equivalents at beginning of year	5,783,588	4,152,722
Cash and cash equivalents at the end of year	<u><u>6,786,250</u></u>	<u><u>5,783,588</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u><u>6,786,250</u></u>	<u><u>5,783,588</u></u>

The notes on pages 19 to 43 form part of these financial statements.

Dotmatics Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

1. General information

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

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 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.

2.3 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

Notes to the Financial Statements For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.4 Going concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the company can continue in operational existence for at least the next 12 months.

At the end of the accounting period, the statement of financial position of the group was in deficit by £1,394,683 (2017 - £6,644,502) and had net current assets of £1,545,033 (2017 - net current liabilities of £2,419,281).

The directors are confident that the company has adequate resources to continue their operations for the foreseeable future. A significant element of the groups liabilities are in respect of deferred income relating to software licence contracts. These amounted to £17,133,015 as at the reporting date (2017 - £17,332,850).

The business has generated a profit of £4,956,023 (2017 - £2,921,525) during the financial year and forecasts indicate continued and growing profits in the subsequent financial year. The group also holds significant cash reserves, adding further comfort to the going concern assumption.

In conclusion, and considering the areas described above, the directors are confident that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, the directors consider it appropriate to prepare the financial statements on a going concern basis.

2.5 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.

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.

Dotmatics Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.6 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 once such services are performed.

The residual invoiced amounts in relation to software license sales invoiced are recognised evenly over the term of the license 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.

2.7 Pensions

Defined contribution pension plan

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.

2.8 Research and development

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

2.9 Interest income

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

2.10 Finance costs

Finance costs are charged to the consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.11 Borrowing costs

All borrowing costs are recognised in the consolidated statement of comprehensive income in the year in which they are incurred.

Dotmatics Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company and the group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the consolidated statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.13 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	- 15 years straight line
Plant and machinery	- 25% - 50% reducing balance
Fixtures and fittings	- 25% - 50% reducing balance

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.

Dotmatics Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted group shares, whose market value can be reliably determined, are remeasured to market value at each statement of financial position date. Gains and losses on remeasurement are recognised in the consolidated statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.15 Debtors

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

2.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the group's cash management.

2.17 Creditors

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

2.18 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.

Dotmatics Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.18 Financial instruments (continued)

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.

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the consolidated statement of comprehensive income in the year that the group becomes aware of the obligation, and are measured at the best estimate at the statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are deducted from the provision carried in the statement of financial position.

2.20 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.21 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

Notes to the Financial Statements For the Year Ended 31 December 2018

3. Judgements in applying accounting policies 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 (see note 13)

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

Notes to the Financial Statements For the Year Ended 31 December 2018

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 as follows:

	2018 £	2017 £
United Kingdom	3,626,992	2,732,512
Europe	4,358,538	4,176,892
South America	-	12,759
Asia	1,583,213	694,573
Australasia	246,519	165,513
North America	11,557,070	9,427,191
Africa	113,078	16,709
	<u>21,485,410</u>	<u>17,226,149</u>

During the year the group recognised royalty income amounting to £215,810 (2017 - £359,804).

5. Operating profit

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

	2018 £	2017 £
Other operating leases	95,075	216,281
Depreciation on tangible fixed assets	29,504	53,949
Loss on disposal of fixed assets	-	439
Auditors' remuneration	27,000	8,500
Foreign exchange differences	(66,534)	1,752
Research & development	1,969,467	1,599,375
Defined contribution pension cost	<u>50,995</u>	<u>262,632</u>

Dotmatics Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

6. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2018 £	Group 2017 £
Wages and salaries	11,722,788	8,710,617
Social security costs	951,626	804,720
Other pension costs	162,311	262,632
	<u>12,836,725</u>	<u>9,777,969</u>

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

	2018 No.	2017 No.
Directors	4	3
Administration and sales	57	34
Application scientists	68	37
Software developers	33	18
	<u>162</u>	<u>92</u>

7. Directors' remuneration

	2018 £	2017 £
Directors' remuneration	916,622	1,711,747
Directors' pension contributions to money purchase schemes	20,000	60,000
	<u>936,622</u>	<u>1,771,747</u>

During the year retirement benefits were accruing to 5 directors (2017 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £445,990 (2017 - £709,695).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £10,000 (2017 - £20,000).

Dotmatics Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

8. Interest receivable and similar income

	2018 £	2017 £
Other interest receivable	<u>8,927</u>	<u>27,773</u>

9. Interest payable and similar charges

	2018 £	2017 £
Bank loan interest	<u>11,348</u>	<u>13,647</u>

10. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	12,509	12,016
Total current tax	<u>12,509</u>	<u>12,016</u>
Deferred tax		
Origination and reversal of timing differences	(722,077)	(1,458)
Total deferred tax	<u>(722,077)</u>	<u>(1,458)</u>
Taxation on (loss)/profit on ordinary activities	<u>(709,568)</u>	<u>10,558</u>

Dotmatics Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>4,246,455</u>	<u>2,932,083</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19%)	806,826	557,096
Effects of:		
Expenses not deductible for tax purposes	26,041	93,657
Capital allowances in excess of depreciation	-	(9,901)
Fixed asset differences	3,884	-
Enhanced taxation relief arising on research and development expenditure	(116,003)	(398,096)
Movement in unprovided taxable losses arising in the year	-	(251,912)
Profits arising on sales within the group	-	40,476
Other timing differences leading to an increase (decrease) in taxation	22,936	-
Foreign corporate income tax payable	-	(12,016)
Movement in deferred taxation arising in the US subsidiary	-	(1,458)
Movement in unprovided deferred taxation relief on pension creditor	-	(646)
Change in rates	-	(6,642)
Adjust closing deferred tax to average rate of 19.00%	9,453	-
Adjust opening deferred tax to average rate of 19.00%	(86,516)	-
Movement in deferred tax not recognised	(889,731)	-
Tax credits	(486,458)	-
Total tax charge for the year	<u>(709,568)</u>	<u>10,558</u>

Dotmatics Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

10. Taxation (continued)

Factors that may affect future tax charges

As at the statement of financial position date the parent company, and group, had outstanding pension contribution liabilities amounting to £Nil (2017 - £2,553). The directors have elected not to provide for the potential deferred UK taxation relief available to the parent company on its future profits. At the current main rate of 19% (2017 - 19%) in the UK these losses would provide tax relief to the parent company of amounting to £Nil (2017 - £485).

11. Dividends

	2018 £	2017 £
Ordinary shares of £0.0001 each		
Final	<u>-</u>	<u>752,632</u>

No dividend was payable to the company shareholders (29 March 2017 - £752,632). The directors considered the financial information that was available to them at the time and concluded that there were sufficient reserves to make payment of a dividend.

Dotmatics Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

12. Tangible fixed assets

Group

	Freehold property £	Improvements to property £	Plant and machinery £	Fixtures and fittings £	Total £
Cost					
At 1 January 2018	951,200	21,749	296,755	16,645	1,286,349
Additions	-	9,258	113,975	5,630	128,863
At 31 December 2018	<u>951,200</u>	<u>31,007</u>	<u>410,730</u>	<u>22,275</u>	<u>1,415,212</u>
Depreciation					
At 1 January 2018	54,144	7,376	136,746	11,981	210,247
Charge for the year	4,024	1,554	19,830	4,095	29,503
At 31 December 2018	<u>58,168</u>	<u>8,930</u>	<u>156,576</u>	<u>16,076</u>	<u>239,750</u>
Net book value					
At 31 December 2018	<u><u>893,032</u></u>	<u><u>22,077</u></u>	<u><u>254,154</u></u>	<u><u>6,199</u></u>	<u><u>1,175,462</u></u>
At 31 December 2017	<u><u>897,056</u></u>	<u><u>14,373</u></u>	<u><u>160,009</u></u>	<u><u>4,664</u></u>	<u><u>1,076,102</u></u>

Included in cost of land and buildings is freehold land of £750,000 (2017 - £750,000) which is not depreciated.

Dotmatics Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

12. Tangible fixed assets (continued)

Company

	Freehold property £	Improvements to property £	Plant and machinery £	Fixtures and fittings £	Total £
Cost or valuation					
At 1 January 2018	951,200	21,749	212,472	16,645	1,202,066
Additions	-	9,258	88,197	57	97,512
At 31 December 2018	<u>951,200</u>	<u>31,007</u>	<u>300,669</u>	<u>16,702</u>	<u>1,299,578</u>
Depreciation					
At 1 January 2018	54,144	7,376	103,264	11,981	176,765
Charge for the year	4,024	1,554	15,058	2,017	22,653
At 31 December 2018	<u>58,168</u>	<u>8,930</u>	<u>118,322</u>	<u>13,998</u>	<u>199,419</u>
Net book value					
At 31 December 2018	<u><u>918,002</u></u>	<u><u>22,077</u></u>	<u><u>157,376</u></u>	<u><u>2,704</u></u>	<u><u>1,100,159</u></u>
At 31 December 2017	<u><u>897,056</u></u>	<u><u>14,373</u></u>	<u><u>109,208</u></u>	<u><u>4,664</u></u>	<u><u>1,025,301</u></u>

Included in cost of land and buildings is freehold land of £750,000 (2017 - £750,000) which is not depreciated.

Dotmatics Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

13. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost and Net Book Value	
At 1 January 2018	673
At 31 December 2018	673

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Registered office	Class of shares	Holding	Principal activity
Dotmatics, Inc.	C/O Kinloch & Associates P.C., 8808 Centre Park Dr, Columbia, MD 21045, United States	Ordinary	100%	Software development and sales
Dotmatics Australia Pty Ltd	C/O Polyglot Group Pty Ltd, 25 Burton Street, Glebe NSW 2037, Australia	Ordinary	100%	Software development and sales
Dotmatics KK	The Portal Akihabara 1F Higashikanda 2-10-9 Chiyoda-ku, Tokyo Japan	Ordinary	100%	Software development and sales

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

The aggregate of the share capital and reserves as at 31 December 2018 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Dotmatics Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
Dotmatics, Inc.	387,296	256,009
Dotmatics KK	3,568	-
Dotmatics Australia Pty Ltd	91,900	(49,009)

Dotmatics Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

14. Debtors

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
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Due after more than one year

Prepayments and accrued income	<u>139,990</u>	<u>-</u>	<u>127,745</u>	<u>-</u>
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	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
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Due within one year

Trade debtors	7,153,004	6,295,774	4,368,600	6,236,129
Amounts owed by group undertakings	-	-	139,430	120,720
Other debtors	86,616	19,088	39,329	1,524
Prepayments	618,065	221,014	618,065	172,186
Accrued income	75,521	191,073	75,521	191,073
Deferred taxation	722,077	-	722,077	-
	<u>8,633,154</u>	<u>6,726,949</u>	<u>5,963,022</u>	<u>6,721,632</u>

15. Cash and cash equivalents

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Cash at bank and in hand	<u>6,786,250</u>	<u>5,783,588</u>	<u>5,288,931</u>	<u>5,676,808</u>

Dotmatics Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

16. Creditors: amounts falling due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Bank loans and overdrafts	51,343	49,690	50,185	49,690
Trade creditors	277,463	246,360	2,244,234	216,308
Amounts owed to group undertakings	3,470	-	-	399,408
Social security and other taxes	-	131,915	22,251	130,591
VAT	312,923	183,064	236,999	183,362
Other creditors	(115,135)	29,117	97,896	16,449
Accruals and deferred income	13,484,297	14,289,672	8,609,770	13,811,273
	<u>14,014,361</u>	<u>14,929,818</u>	<u>11,261,605</u>	<u>14,807,081</u>

The accruals and deferred income balances disclosed above include £12,536,837 and £7,941,195 (2017 - £12,695,960) in relation to deferred software licence income for the group and parent as an individual respectively (for both in 2017).

17. Creditors: amounts falling due after more than one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Bank loans	327,030	377,034	327,030	377,034
Accruals and deferred income	3,648,718	4,636,890	2,434,480	4,636,890
	<u>3,975,748</u>	<u>4,962,316</u>	<u>2,761,510</u>	<u>4,962,316</u>

The creditor balances disclosed above include £3,648,718 and £2,434,480 (2017 - £4,636,890) in relation to deferred software licence income for the group and parent as an individual respectively (for both in 2017).

Dotmatics Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

18. Loans

An analysis of the maturity of loans is given below:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Amounts falling due within one year				
Bank loans	51,343	49,690	50,185	49,690
Amounts falling due between one and two years				
Bank loans	52,904	51,206	52,904	51,206
Amounts falling due between two and five years				
Bank loans	168,566	163,182	168,566	163,182
Amounts falling due after more than five years				
Bank loans	105,560	162,646	105,560	162,646
	<u>378,373</u>	<u>426,724</u>	<u>377,215</u>	<u>426,724</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.

19. Secured debts

The following secured debts are included within creditors:

	2018 £	2017 £
Bank loans	<u>378,373</u>	<u>426,724</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.

Dotmatics Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

20. Financial instruments

	Group 2018 £	Group 2017 £
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Financial assets

Financial assets that are debt instruments measured at amortised cost	<u>15,208,769</u>	<u>12,079,362</u>
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Financial liabilities

Financial liabilities measured at amortised cost	<u>(1,957,118)</u>	<u>(702,200)</u>
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Financial assets that are debt instruments measured at amortised cost comprise trade debtors and cash at bank and in hand.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors and other creditors.

21. Deferred taxation

Group

	2018 £
At beginning of year	(5,946)
Credited to profit or loss	722,077
At end of year	<u><u>716,131</u></u>

Dotmatics Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

22. Provisions

	2018	2017
	£	£
Opening provision	281,453	301,097
Settlement	(142,023)	(19,644)
Closing provision	<u>139,430</u>	<u>281,453</u>

During the prior financial years the group's parent company, Dotmatics Limited, made sales to The United States of America where the company is liable to make payments on some of the sales due to local state tax regulations. Such sales taxes were not recognised or paid by the company in the current or prior financial year.

Following further investigation the directors have obtained a reliable estimate of potential unpaid US state sales tax liabilities owed by Dotmatics Limited, which they have calculated to be £139,430 31 December 2018 (2017 - £281,453). This includes a liability owing as at 31 December 2017 of £301,097 and a movement within the 2017 financial year reducing the provision by £19,644.

23. Share capital

	2018	2017
	£	£
Allotted, called up and fully paid		
260,000- Ordinary shares of £0.0001 each	26	26
210,000- A Preferred shares of £0.0001 each	21	21
50,000- B Preferred shares of £0.0001 each	5	5
	<u>52</u>	<u>52</u>

During the prior year, the company reorganised its share capital as follows:

- Each existing Ordinary Shares of £0.10 were sub-divided into 1,000 Ordinary Shares of £0.0001
- 212,170 of the 572,000 Ordinary Shares of £0.0001 each were re-designated as A Preferred Shares of £0.0001 each, with amended rights being attributed to the newly designated shares.
- 46,175 of the 572,000 Ordinary Shares of £0.0001 each were re-designated as B Preferred Shares of £0.0001 each, with amended rights being attributed to the newly designated shares.
- 52,295 of the Ordinary Shares of £0.0001 were purchased by the company and cancelled

Dotmatics Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

24. Reserves

The company's capital and reserves are as follows:

Called up share capital

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

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

Notes to the Financial Statements For the Year Ended 31 December 2018

25. 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 2018	Number 2017
Outstanding at the beginning of the year		
Granted during the year	17,778	-
Expired during the year	(1,368)	-
	<u>16,410</u>	<u>-</u>
Outstanding at the end of the year		
	2018	2017
Weighted average share price at the date of exercise	£114.19	-
Weighted average exercise price of options outstanding	£114.19	-
Range of exercise prices for options outstanding	£114.19	-
Weighted average remaining contractual life, years	<u>9.27</u>	<u>-</u>

Dotmatics Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

25. Share based payments (continued)

Cash settled

	Number 2018	Number 2017
Granted during the year	1,094	-
Outstanding at the end of the year	<u>1,094</u>	<u>-</u>
	2018	2017
Weighted average share price at the date of exercise	£114.19	-
Weighted average exercise price of options outstanding	£114.19	-
Range of exercise prices for options outstanding	£114.19	-
Weighted average remaining contractual life, years	<u>9.51</u>	<u>-</u>

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

	2018	2017
Share price	£114.19	-
Exercise price	£114.19	-
Expected volatility	23.00%	-
Expected option life, years	0-5	-
Expected dividend yield	0.00%	-
Risk free interest rate	<u>0.99%</u>	<u>-</u>

The share based payment charge associated with the options is calculated using the Black Scholes Model, and totals £172,909.

26. 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 £50,995 (2017 - £262,632). Contributions totalling £21,054 (2017 - £378) were payable to the fund at the reporting date and are included in creditors.

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Notes to the Financial Statements For the Year Ended 31 December 2018

27. Related party transactions

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.

	2018 £	2017 £
Entities with control, joint control or significant influence over the entity		
Expenses reimbursable to related parties	17,310	14,209
Unpaid expenses owed to related parties	-	77
Other related parties		
Purchases	<u>-</u>	<u>6,349</u>

28. Ultimate parent and controlling party

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.