Monotype Limited

Strategic Report, Directors' Report and Financial Statements

31 December 2015

Directors
J H McCallum
C Friend
D J Shaw (resigned 31st December 2015)
S Landers (appointed 18th December 2015)
J Maxwell (appointed 12th April 2016)

Secretary
M Owens-Richards (resigned 10th September 2015)
J Kaestner (appointed 10th September 2015)

Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers
Lloyds Bank plc
11 High Street
Horley
Surrey RH6 7BJ

Solicitors
Downs Commercial
156 High Street
Dorking
Surrey RH4 1BQ

Registered Office
Unit 2
Perrywood Business Park
Salfords
Redhill
Surrey RH1 5DZ

Registered No. 2663485

Strategic report

The directors present their strategic report for the year ended 31 December 2015. The directors in preparing this strategic report have complied with s.414C of the Companies Act 2006.

Review of the Business

The company's principal activity is the design, manufacture and marketing of typefaces and other type related products. There have been no changes in these activities during the year.

The company's turnover increased by 5.8% to £8,710,896 (2014 – £8,232,542). The business has continued to recover from the economic downturn and, as a result, shows sustained performance in both its End User and Display Imaging markets. Gross margin increased from 52.5% in 2014 to 66% during 2015 due to a shift in product mix.

Results and dividends

The profit for the year after taxation amounted to £1,812,632 (2014 – profit of £2,025,256 restated for IFRS). The company did not declare a dividend from retained earnings during the year (2014 – £nil).

Key performance indicators

The company's key financial indicators during the year were as follows:

	2015	*2014*	*% Change*
Turnover (£)	8,710,896	8,232,542	5.8%
Gross profit (£)	5,751,517	4,319,025	33.2%
Gross margin (%)	66.0%	52.5%	25.9%
Operating profit (£)	2,292,438	2,168,654	5.7%
Operating margin (%)	26.3%	26.3%	-

Principal risks and uncertainties

In relation to the financial risk management and policies of the company, the directors have concluded that the company will be able to continue funding its activities through its cash reserves and retained profits. The company's ultimate parent has established a risk and financial management framework whose primary objectives are to protect the group from events that hinder the achievement of the group's performance. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a Company level. The risks identified that could affect the financial performance of the company include the following:

Pricing risk

We derive a substantial majority of our revenue from a limited number of licensees, and if we are unable to maintain these customer relationships or attract additional customers, our revenue will be adversely affected.

We face pressure from our customers to lower our licence fees and, to the extent we lower them in the future, our revenue may be adversely affected.

Technological risk

Our success depends on the existence of a market for products that incorporate our text imaging solutions.

Strategic report (continued)

Principal risks and uncertainties (continued)

Competitive risk

We face significant competition in various markets, and if we are unable to compete successfully, our ability to generate revenue from our business could suffer.

Open source software may make us more vulnerable to competition because new market entrants and existing competitors could introduce similar products quickly and cheaply.

Our business is dependent in part on technologies and fonts we license from third parties, and these licence rights may be inadequate for our business.

Exposure to foreign currency risk

We conduct a substantial portion of our business outside the United Kingdom and in several currencies including Euros and US Dollars and, as a result, we face foreign currency risks related to engaging in international business.

The directors will continue to monitor these risks.

Future developments

Given the continuing uncertain economic conditions the directors are focusing on controlling costs while developing new products so that the business is well placed to take advantage of the rapid technological changes in the industries in which it operates. They remain optimistic about the company's longer term prospects and growth potential and ability to win new contracts.

Details of significant events since the balance sheet date are contained in note 18 to the financial statements.

By order of the Board

JMaxwell

Justine Maxwell

Director

Date 29 September 2016

Unit 2, Perrywood Business Park, Salfords, Redhill, Surrey, RH1 5DZ

Directors' report

The directors present their report and financial statements for the year ended 31 December 2015.

Going concern

The company's business activities, together with the risk factors likely to affect its future development, its financial position and its exposure to price, foreign exchange movement, technological risk and competitive risks are described in the Strategic Report. The company, and the group of which it is part, has considerable financial resources, together with long-term contracts and relationships with customers and suppliers across different geographic areas. Furthermore, the company has no external debt and has positive net current assets and positive shareholders' funds at the year-end date. As a consequence, the directors believe the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Directors

The directors who served the company during the year and thereafter were as follows:

J H McCallum
C Friend
D J Shaw (resigned 31st December 2015)
S Landers (appointed 18th December 2015)
J Maxwell (appointed 12th April 2016)

Research and development

The company has a programme of research and development of existing products. The recent acquisitions of Design By Front Limited and Mark Boulton Design have further strengthened the Company's commitment to research and development. On transition to IFRS some development costs have now been capitalised whereas they had previously been written to the P&L. Details can be found in note 23.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

In accordance with s.485 of the Companies Act 2006, a resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board

JMaxwell

Justine Maxwell

Director

Date 29 September 2016

Unit 2, Perrywood Business Park, Salfords, Redhill, Surrey, RH1 5DZ

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS101 'Reduced Disclosure Framework'. 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 profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 transactions and disclose with reasonable accuracy at any time the financial position of the company 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Monotype Limited

We have audited the financial statements of Monotype Limited for the year ended 31 December 2015, which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report, Directors' Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent Auditor's Report (Continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Ernst & Young LLP

Naresh Alimchandani (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
30 September 2016

Income Statement

for the year ended 31 December 2015

	Notes	2015 £	2014 £
Turnover	3	8,710,896	8,232,542
Cost of sales		(2,959,379)	(3,913,517)
Gross profit		5,751,517	4,319,025
Distribution costs		(2,773,869)	(2,330,629)
Administrative expenses		(685,210)	180,258
Operating profit	4	2,292,438	2,168,654
Interest receivable and similar income		-	-
Interest payable and similar charges	7	(240,900)	(67,794)
Profit on ordinary activities before taxation		2,051,536	2,100,860
Tax	8	(238,904)	(75,604)
Profit for the financial year		1,812,632	2,025,256

All amounts relate to continuing activities. Comparatives have been restated for IFRS.

Statement of comprehensive income

for the year ended 31 December 2015

	Notes	2015 £	2014 £
Total opening comprehensive income		3,135,142	1,101,140
Profit for the financial year		1,812,632	2,025,256
Other comprehensive loss		-	(70,000)
Deferred tax on share based payments		(468,504)	78,746
Total comprehensive income for the year		1,344,128	2,034,002
Total comprehensive income		4,479,270	3,135,142

Statement of changes in equity

For the year ended 31 December 2015

	Share capital	*Capital contribution reserve*	*Retained earnings*	*Intercompany Loan*	*Acquisition reserve*	*Total Equity*
	£	£	£	£	£	£
At 1 January 2014	100	1,499,302	891,413	159,761	49,966	2,600,542
Comprehensive income for the year						
Other comprehensive loss	-	-	(70,000)	-	-	(70,000)
Deferred tax on share based payments	-	-	78,746	-	-	78,746
Profit for the year	-	-	2,076,701	(3,709)	(47,736)	2,025,256
Total comprehensive income for the year	-	-	2,085,447	(3,709)	(47,736)	2,034,002
Share option charge	-	684,730	-	-	-	684,730
At 1 January 2015	100	2,184,032	2,976,860	156,052	2,230	5,319,274
Comprehensive income for the year						
Deferred tax on share based payments	-	-	(468,504)	-	-	(468,504)
Profit for the year	-	-	1,784,881	29,981	(2,230)	1,812,632
Total comprehensive income for the year	-	-	1,316,377	29,981	(2,230)	1,344,128
Share option charge	-	952,845	-	-	-	952,845
At 31 December 2015	100	3,136,877	4,293,237	186,033	-	7,616,247

Balance sheet

at 31 December 2015

	Notes	2015 £	2014 £
Fixed Assets			
Intangible assets - Goodwill	11	1,595,870	1,595,870
Intangible assets - Other	12	1,356,773	1,507,397
Tangible assets	13	216,204	239,600
		3,168,847	3,342,867
Current assets			
Cash at bank and in hand		3,753,353	784,855
Debtors	14	7,197,615	4,132,268
Income tax receivable		-	42,736
Deferred tax	8	526,464	809,727
		11,477,432	5,769,586
Creditors - amounts falling due within one year	15	(4,423,322)	(1,757,976)
Income tax payable		(421,063)	-
Net current assets		6,633,047	4,011,610
Total assets less current liabilities		9,801,894	7,354,477
Creditors: amounts falling due after more than one year	16	(2,185,647)	(2,035,203)
Net Assets		7,616,247	5,319,274
Capital and reserves			
Called up share capital		100	100
Capital contribution reserve		3,136,877	2,184,032
Retained earnings		4,479,270	3,135,142
Total Equity		7,616,247	5,319,274

These financial statements of Monotype Limited, registered number 2663485, were approved by the board of directors and authorised for issue on 29 September 2016 and signed on its behalf by:

JMaxwell

Justine Maxwell

Director

Notes to the financial statements

at 31 December 2015

1. Authorisation of financial statements and statement of compliance with FRS101

The financial statements of Monotype Limited (the "Company") for the year ended 31 December 2015 were authorised for issue by the board of directors on 29 September 2016 and the balance sheet was signed on the board's behalf by Justine Maxwell. Monotype Limited is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101) and in accordance with applicable accounting standards.

The Company's financial statements are presented in Pound Sterling.

The Company has taken advantage of the exemption under s.400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of a listed US Group. The results of Monotype Limited are included in the consolidated financial statements of Monotype Imaging Holdings Inc. which is listed on the NASDAQ with consolidated financial statements available from the SEC.

The principal accounting policies adopted by the Company are set out in section 2.3.

2. Authorisation of financial statements and statement of compliance with FRS101

2.1 Basis of preparation

The Company transitioned from previously extant UK GAAP to FRS101 for all periods presented. Transition reconciliations showing all material adjustments are disclosed in note 23.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31st December 2015. The Company has taken advantage of the following disclosure exemptions under FRS101:

(a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment, because:

(i) the share based payment arrangement concerns the instruments of another group entity;

(b) The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67of IFRS 3 Business Combinations

(c) the requirements of paragraph 33 (c) of IFRS 5 Non current Assets Held for Sale and Discontinued Operations

(d) the requirements of IFRS 7 Financial Instruments: Disclosures

(e) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement

(f) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:

(i) paragraph 79(a)(iv) of IAS 1;

(ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;

(iii) paragraph 118(e) of IAS 38 Intangible Assets;

(iv) paragraphs 76 and 79(d) of IAS 40 Investment Property; and

(v) paragraph 50 of IAS 41 Agriculture.

Notes to the financial statements (Continued)

at 31 December 2015

2.1 Basis of preparation (continued)

(g) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;

(h) the requirements of IAS 7 Statement of Cash Flows;

(i) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;

(j) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;

(k) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and

(l) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets

2.2 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

a) Development costs
Development costs are capitalised in accordance with the accounting policy given below. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2015, the carrying amount of capitalised development costs was £593,509 (2014: £498,029).

b) Taxation
Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 8.

c) Impairment of non-financial, non-monetary current assets
Where there are indicators of impairment of individual assets, the Company performs impairment tests based on a value in use calculation. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the future budget and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Notes to the financial statements (Continued)

at 31 December 2015

2.3 Significant accounting policies

a) Foreign currency translation

The company's financial statements are presented in pound sterling, which is also the company's functional currency.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

b) Intangible assets and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets, is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

Paragraph 22 of Schedule 1 to the Regulations requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. Had the company amortised goodwill a period of 9 years would have been chosen as the useful life for goodwill. The profit for the year would have been £186,625 (2014: £143,592) lower had goodwill been amortised in the year.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but reviewed for impairment annually or more frequently if events or changes in circumstances indicate the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the relevant cash-generating unit.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Notes to the financial statements (Continued)

at 31 December 2015

b) Intangible assets and goodwill (continued)

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Research and development costs
Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised evenly over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

c) Investments
Investments in subsidiaries are held at historical cost less any applicable provision for impairment.

d) Tangible fixed assets

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs directly attributable to assets under construction and which meet the recognition criteria in IAS 23 are capitalised as part of the cost of that asset.

Depreciation is provided on all property, plant and equipment, other than land, on a straight-line basis over its expected useful life as follows:

Short-term leasehold improvements	–	Over the term of the lease
Office equipment, fittings and computer equipment	–	Between 25% and 33% per annum

Notes to the financial statements (Continued)

at 31 December 2015

d) Tangible fixed assets (continued)

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

e) Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

f) Leases

Company as a lessee

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

g) Financial instruments

The Company's financial assets and liabilities include cash, trade and other receivables, trade payables and other liabilities, and intercompany loans. All financial assets and liabilities are recognised initially at fair value. A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Trade and other debtors
Trade debtors, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash at bank and in hand
Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

Notes to the financial statements (Continued)

at 31 December 2015

g) Financial instruments (continued)

Interest bearing loans and borrowings
Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

h) Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

(a) When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

i) Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on confirmation from the authority that they claim will be paid.

Notes to the financial statements (Continued)

at 31 December 2015

j) Revenue recognition

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes and duty. Revenue is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on despatch of the goods.

We recognise revenue in accordance with IAS 18. Revenue is recognised when persuasive evidence of an agreement exists, the product has been delivered or services have been provided, the fee is fixed or determinable and collection of the fee is probable. However, determining whether and when some of these criteria have been satisfied often involves assumptions and judgments that can have a significant impact on the timing and amount of revenues the Company reports.

For example, the Company often receives multiple purchase orders or contracts from a single customer or a group of related parties that are evaluated to determine if they are, in effect, parts of a single arrangement. If they are determined to be parts of a single arrangement, revenues are recorded as if a single multiple-element arrangement exists. In addition, arrangements with customers may include multiple deliverables, or multiple elements in a single purchase order or contract.

The fee for such arrangement is allocated to the various elements based on vendor-specific objective evidence of fair value, or VSOE, and revenue is recognised accordingly. In the absence of VSOE, all revenue from the arrangement is deferred until the earlier of the point at which (a) such sufficient VSOE does exist or (b) all elements of the arrangement have been delivered. In certain circumstances, the revenue is recognised rateably, in accordance with the revenue recognition guidance.

Creative Professional Revenue

Our Creative Professional revenue is derived from font licenses, font related services and from custom font design services. We license fonts directly to end users through our e-commerce websites, via telephone, e-mail and indirectly through third-party resellers. We also license fonts and provide custom font design services to graphic designers, advertising agencies, media organizations and corporations. We refer to direct, indirect and custom revenue, as non-web revenue, and refer to revenue that is derived from our websites, as web revenue. Revenue from font licenses to our e-commerce customers is recognised upon payment by the customer and the software embodying the font is shipped or made available. Revenue from font licenses to other customers is recognised upon shipment of the software embodying the font and when all other revenue recognition criteria have been met. Revenue from resellers is recognised upon notification from the reseller that our font product has been licensed and when all other revenue recognition criteria have been met. Custom font design services are generally recognised upon delivery. Font related service revenue is mainly subscription based and, from time to time, it may contain software as a service. The subscription revenue is recognised rateably over the subscription period. Web server and commercial rights to online fonts is recurring revenue and is recognised upon payment by the customer and proof of font delivery, and when all other revenue recognition criteria have been met.

OEM Revenue

Our OEM revenue is derived substantially from per-unit royalties received for printer imaging and printer driver, or printer products, and display imaging products. Under our licensing arrangements we typically receive a royalty for each product unit incorporating our fonts and technology that is shipped by our OEM customers. We also receive OEM revenue from fixed fee licenses with certain of our OEM customers. Fixed fee licensing arrangements are not based on units the customer ships, but instead, customers pay us on a periodic basis for the right to embed our fonts and technology.

Notes to the financial statements (Continued)

at 31 December 2015

j) Revenue recognition (continued)

Although significantly less than royalties from per-unit shipments and fixed fees from OEMs, we also receive revenue from software application and operating systems vendors who include our fonts and technology in their products, and for font development. Many of our per-unit royalty licenses continue for the duration that our OEM customers ship products that include our technology, unless terminated for breach. Other licenses have terms that typically range from one to five years, and usually provide for automatic or optional renewals. Revenue from per-unit royalties is recognised in the period during which we receive a royalty report from a customer, typically one quarter after royalty-bearing units are shipped, as we do not have the ability to estimate the number of units shipped by our customers. Revenue from fixed fee licenses is generally recognised when it is billed to the customer, so long as the product has been delivered, the license fee is fixed and non-refundable and collection is probable. OEM revenue also includes project-related agreements for which contract accounting, completed contract for short-term projects and percentage-of-completion for long-term projects, may be used.

k) Share-based payments

The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period. Fair value is determined using an appropriate pricing model.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where a new award is designated as replacing a cancelled award, the cost based on the original award terms continues to be recognised over the original vesting period. An expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification.

l) Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

3. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and is attributable to one continuing activity, as stated in the directors' report.

An analysis of turnover by geographical market is given below:

	2015	*2014*
	£	£
UK	5,960,350	4,408,831
Europe	1,899,209	2,380,066
North America	688,222	718,014
Other	163,115	725,631
	8,710,896	8,232,542

Notes to the financial statements (Continued)

at 31 December 2015

4. Operating profit

This is stated after charging / (crediting)

			2015	2014
			£	£
Auditors' remuneration:				
Audit fees	–	auditing of financial statements	59,275	76,862
Amortisation of intangibles			246,104	229,241
Loss on disposal of fixed assets			3,231	-
Depreciation			130,639	100,360
Operating leases	–	land and buildings	145,233	134,681
Foreign exchange (gain) / loss			204,295	268,909
Government grants received			-	(66,722)
Research and development expenditure expensed			66,705	212,379

5. Directors' remuneration

	2015	2014
	£	£
Aggregate remuneration in respect of qualifying services	304,052	318,495
Directors' long term incentive scheme	154,975	234,704
Pension contributions to defined contribution pension scheme	48,735	48,774
	507,762	601,973

	No.	No.
Number of directors who are members of defined contribution pension scheme	2	2
Number of directors who exercised share options	1	1
Number of directors who received shares in respect of qualifying services	2	2

	2015	2014
	£	£
In respect of highest paid director:		
Aggregate remuneration	325,632	405,070
Pension contributions to defined contribution pension scheme	40,181	40,177
	365,813	445,247

Notes to the financial statements (Continued)

at 31 December 2015

6. Staff costs

	2015	*2014*
	£	*£*
Wages and salaries	4,474,396	3,611,863
Social security costs	570,179	547,075
Pension costs	137,077	110,244
	5,181,652	4,269,182

Included in wages and salaries is an expense of £952,845 (2014 - £684,730) arising from share based payment transactions. The average monthly number of employees during the year was made up as follows:

	2015	*2014*
	No.	*No.*
Administration	10	10
Sales	24	25
Production and development	20	23
	54	58

7. Interest payable and similar charges

	2015	*2014*
	£	*£*
Exchange movements on loan and contingent consideration	204,295	1,406
Interest on intercompany loan and contingent consideration	36,605	66,388
	240,900	67,794

8. Tax

(a) Tax on loss on ordinary activities

The tax is made up as follows:

	2015	*2014*
	£	*£*
Current tax:		
UK corporation tax for the year	415,768	42,807
Adjustments in respect of prior years	2,986	(14,189)
Foreign tax	5,391	44,486
Total current tax (note 8(b))	424,145	73,104
Deferred tax:		
Origination and reversal of timing differences	(185,241)	2,500
Total deferred tax	(185,241)	2,500
Tax (credit)/charge on ordinary activities	238,904	75,604

Notes to the financial statements (Continued)

at 31 December 2015

8. Taxation (continued)

(b) Factors affecting the current tax for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20.25% (2014 – 21.5%). The differences are explained below:

	2015	2014
	£	£
Profit / (Loss) on ordinary activities before tax	2,051,537	2,100,860
Profit / (Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 –21.5%)	415,366	451,541
Effects of:		
Expenses not deductible for tax purposes	52,437	67,728
Income not taxable for tax purposes	-	(254,501)
Relief in respect of share based payments	(281,810)	(114,854)
Research and development relief	(5,799)	(63,592)
Impact of changes in tax rates	55,724	3,471
Adjustment in respect of prior year	2,986	(14,189)
Total tax (note 8(a))	238,904	75,604

(c) Deferred tax

A deferred tax asset is recognised on the basis that future taxable profits will be available to enable all deferred tax to be utilised. Deferred tax recognised is based on a tax rate of 18% (2014 –20%) in the financial statements.

	£
At 1 January 2015	809,727
Movements through the Statement of comprchensive income	(468,504)
Movement in current year profit and loss	185,241
At 31 December 2015	526,464

The deferred taxation asset recognised in the financial statements is as follows:

	2015	2014
	£	£
Temporary differences on unclaimed capital allowances	(122,342)	(133,799)
Share based payment expenses	602,777	892,384
Other temporary differences	46,029	51,142
	526,464	809,727

Notes to the financial statements (Continued)

at 31 December 2015

8. Taxation (continued)

(d) Factors that may affect future tax charges

The standard rate of UK corporation tax reduced from 21% to 20% on 1 April 2015. The Finance Act (No.2) 2015 includes legislation which will reduce the rate further to 19% from 1 April 2017 and to 18% from 1 April 2020. The Finance Act (No.2) 2015 was substantively enacted on 26 October 2015.

Accordingly these rates have been applied in the measurement of the deferred tax balances at 31 December 2015. Subsequent to this, the Finance Act 2016 was substantively enacted on 6 September 2016 and includes legislation to further reduce the rate from 1 April 2020 to 17%. The effect of this subsequent reduction on deferred tax has not been reflected in these financial statements due to the relevant legislation not having been substantively enacted at the reporting date.

9. Dividends

	2015	*2014*
	£	*£*
Dividend declared and paid for the year	-	-

No dividend for 2015 is proposed.

10. Investments

Mark Boulton Design

Mark Boulton Design Ltd was officially dissolved on the 23rd February 2016.

11. Intangible assets- Goodwill

Under previous UK GAAP Goodwill was amortised over its useful life. On transition to FRS101 Goodwill is considered to have an indefinite life in accordance with IAS38, and is tested annually for impairment in accordance with IAS36. On transition to FRS101 the Company took advantage of the exemption under IFRS 1 not to restate its business combinations and the carrying value of Goodwill remains unchanged.

The carrying value of Goodwill prior to conversion at transition date (1 Jan 2014) was £1,208,570. In 2014 the acquisition of Mark Boulton Design Ltd increased the carrying value of Goodwill by £387,300 to £1,595,870. The carrying value at 31 Dec 2014 and 31 Dec 2015 remains at £1,595,870.

Notes to the financial statements (Continued)

at 31 December 2015

12. Intangible assets – other

	Customer lists	*Trademarks*	*Development Technology*	*Non-compete agreements*	*DBF sub total*	*Capitalised development*	*Other intangibles*	*Total*
	£	£	£	£	£	£	£	£
Cost or valuation:								
At 1 January 2015	94,267	37,292	1,179,603	96,339	**1,407,501**	498,029	44,671	**1,950,201**
Additions	-	-	-	-	-	95,480	-	**95,480**
At 31 December 2015	94,267	37,292	1,179,603	96,339	**1,407,501**	593,509	44,671	**2,045,681**
Amortisation:								
At 1 January 2015	94,267	-	217,598	59,045	**370,910**	61,885	10,009	**442,804**
Charge for the year	-	-	137,428	37,294	**174,722**	66,384	4,998	**246,104**
At 31 December 2015	94,267	-	355,026	96,339	**545,632**	128,269	15,007	**688,908**
Net book value:								
At 31 December 2015	-	37,292	824,577	0	**861,869**	465,240	29,664	**1,356,773**
At 1 January 2015	-	37,292	962,005	37,294	**1,036,591**	436,144	34,662	**1,507,397**

Under the previous extant UK GAAP, the Company expensed all development costs as incurred. On transition to FRS101 the Company must capitalise development costs in accordance with IAS38. Development costs of £311,647 were therefore capitalised at transition date with a further £186,382 capitalised in 2014 and a further £95,480 capitalised in 2015.

The Company also capitalised all software costs as tangible fixed assets. On transition to FRS101 the Company must reclass software costs to intangibles. Software costs of £42,860 were therefore reclassed at transition date with a further £1,811 reclassed in 2014.

Notes to the financial statements (Continued)

at 31 December 2015

13. Tangible fixed assets

	Leasehold improvement	*Office equipment and fitting*	*Computer equipment*	*Capital in process*	*Total*
	£	*£*	*£*	*£*	*£*
Cost or valuation:					
At 1 January 2015	121,674	81,171	359,057	-	561,902
Additions	10,283	10,620	58,071	31,414	110,388
Disposal	-	(11)	(11,096)	-	(11,107)
At 31 December 2015	131,957	91,780	406,032	31,414	661,183
Deprecation:					
At 1 January 2015	54,181	49,490	218,631	-	322,302
Charge for the year	32,284	13,331	85,024	-	130,639
Charge on disposals	-	(2)	(7,960)	-	(7,962)
At 31 December 2015	86,465	62,819	295,695	-	444,979
Net book value:					
At 31 December 2015	45,492	28,961	110,337	31,414	216,204
At 1 January 2015	67,493	31,681	140,426	-	239,600

Under the previous extant UK GAAP the Company had capitalised all software costs as tangible fixed assets. On transition to FRS101 the Company must reclassify software costs to intangibles. Software costs of £42,860 were therefore reclassified at transition date with a further £1,811 reclassed in 2014.

14. Debtors

	2015	*2014*
	£	*£*
Trade debtors	1,790,700	1,642,443
Amounts owed by immediate parent undertaking	5,090,583	1,633,396
Amounts owed by fellow subsidiaries	-	712,951
Other debtors	244,123	52,943
Prepayments and accrued income	72,209	90,535
	7,197,615	4,132,268

All debtors are due within one year with the exception of a long-term prepayment of £167,586 (2014 – £27,450) secured by rent deposit deeds in favour of the landlords in the event of default by the company.

Notes to the financial statements (Continued)

at 31 December 2015

15. Creditors: Amounts falling due within one year

	2015	*2014*
	£	*£*
Trade creditors	84,108	3,368
Amounts owed to fellow subsidiaries	1,384,278	83,591
Other taxes and social security costs	272,821	339,899
Accruals and deferred income	2,682,115	1,331,118
	4,423,322	1,757,976

Included within other creditors is £2,966 (2014 £nil) of pension contributions payable as at the balance sheet date.

16. Creditors: Amounts falling due after more than one year

	2015	*2014*
	£	*£*
Amounts owed to immediate parent undertaking Monotype Imaging Inc.	2,115,978	1,816,686
Deferred Revenue	69,669	41,479
Contingent Consideration	-	177,038
	2,185,647	2,035,203

On 29 October 2012, the company acquired 100% of the issued share capital of Design by Front Limited. 50% of the consideration is contingent upon the attainment of certain performance criteria based on the number of active users at 31 December 2013 and 31 December 2014. On 31 March 2014, the Company made a payment of £229,211 ($382,140 US dollars) which represented the 2013 Earn out Payment defined in the Purchase and Sale agreement. On 31st March 2015 the company made a final earn out payment of £181,015 ($279,360 US dollars) also represented in the Purchase and Sale agreement.

The contingent consideration on the acquisition of Design by Front Limited was written down three times with the expense going to the profit and loss, once in July 2014 for £322,766, in September 2014 for £370,096 and again in December 2014 for £403,423. Under extant UK GAAP this treatment was incorrect as the write downs should have netted against Goodwill. IFRS requires that these write downs are expensed against the profit and loss account as incurred.

The purchase of Design by Front Limited was financed by a loan from the company's parent Monotype Imaging Inc. The loan carries interest at a rate of 1% and is repayable after 8 years. This has been re measured using the effective interest rate method on conversion to IFRS.

17. Issued share capital

		2015		*2014*
Allotted, called up and fully paid	*No.*	*£*	*No.*	*£*
Ordinary shares of £1 each	100	100	100	100

Notes to the financial statements (Continued)

at 31 December 2015

18. Events since the balance sheet date

On 23rd February 2016 Mark Boulton Design Ltd was struck off the register following correspondence from Companies House regarding the dissolution application received on the 2nd December 2015.

On 27th April 2016 a new 5 year lease was signed for a flag ship office in Shoreditch, London. The total lease commitment is £999,364. Development of the office commenced in August 2016 and occupancy is estimated to be October 2016.

At 31st December 2015 there were deposits of £191,699 held in escrow at Downs Solicitors related to the property and a further £31,414 held as capital in process on the balance sheet.

In line with the expected occupancy of Shoreditch, the company extended the temporary lease of Albert House until the 31st October 2016.

On 14th April 2016 a new 5 year lease was signed for the office in Belfast. The total lease commitment is £82,560.

On 9th August 2016 Monotype Imaging Holdings Inc (immediate parent of Monotype Ltd) purchased 100% of the issued share capital of Olapic Inc and it's subsidiaries which included Olapic Ltd, a UK entity. On that date the employees of Olapic Ltd signed new employment agreements with Monotype Ltd. The intention is to transfer the remaining business and assets of Olapic Ltd to Monotype Ltd within the next year although the mechanism for this has not yet been fully discussed or determined.

19. Share-based payments

Eligible employees of Monotype Limited are entitled to participate in two share based payment arrangements offered by the company's (ultimate) parent undertaking, Monotype Imaging Holdings Inc.

The two current arrangements are:

<u>Stock Option Scheme</u>

Awards vest over a four year period and expire ten years from the date of grant.

The expense recognised for the stock option scheme in respect of employees' services received by the company during the year to 31 December 2015 was £133,980 (2014 – £181,990).

The fair value of each option award is estimated on the date of grant using the Black-Scholes valuation model and the expected volatility is determined using the historical volatility of the ultimate parent undertaking's share price.

	2015	*2014*
Risk-free interest rate	1.5%	1.6%
Expected dividend yield	1.2%	1.1%
Expected volatility	35.2%	44.1%
Expected term	4.8 years	5 years
Weighted average fair value per share	$9.35	$10.90

Notes to the financial statements (Continued)

at 31 December 2015

19. Share-based payments (continued)

The weighted average exercise price (WAEP) of, and movements in, share options during the year was as follows:

	Number of shares	*Weighted-average exercise price per share*
Outstanding at 1 January 2015	217,983	$13.23
Granted	8,775	$32.56
Transferred	(178)	$20.90
Exercised	(26,808)	$27.63
Cancelled	(4,402)	$23.74
Outstanding at 31 December 2015	195,370	$13.84
Exercisable at 31 December 2015	167,359	$11.51

Restricted Stock Awards

Restricted stock is granted at nil cost and vests over a four year period. Holders of restricted stock are entitled to dividends on unvested holdings but may not dispose of stock until vesting.

The expense recognised for the stock option scheme in respect of employees' services received by the company during the year to 31 December 2015 was £818,865 (2014 – £502,740).

The movements in restricted stock awards during the year were as follows:

	Number of shares
Outstanding at 1 January 2015	135,515
Granted	48,653
Forfeited	(6,042)
Released	(52,132)
Outstanding at 31 December 2015	125,994

20. Other financial commitments

At 31 December 2015 the company had future minimum commitments under non-cancellable operating leases as set out below:

	Land and buildings 2015	*2014*
	£	*£*
Within one year	95,973	112,083
After one year but not more than five years	36,000	121,500
More than five years	-	-
	131,973	233,583

Notes to the financial statements (Continued)

at 31 December 2015

20. Other financial commitments (continued)

In June 2012, the company entered into a new operating lease for its Salfords premises. The lease is for a four year term expiring on 6 April 2017 and carries a rental commitment of £67,500 per annum.

In November 2012, the company entered into a new operating lease for its London office. The lease is for a six year term at an initial annual rental of £29,000 per annum with a rent review and break option after three years in November 2015. The break was executed on the 28th November 2015.

On the acquisition of Mark Boulton Design Limited the company took over an operating lease for its Penarth office. The lease was initially for a nine year term from September 2008 at an annual rental of £18,000 per annum with a rent review and break option every 3 years. The current rent remains at £18,000 per annum and will end in September 2017.

In October 2015, the company entered into a new short term operating lease for a temporary office in London whilst the lease on the new Shoreditch office was under negotiation. The lease commitment at the 31st December 2015 was until 16th February 2016.

On 14th April 2016 a new 5 year lease was signed for the office in Belfast. The total lease commitment is £82,560.

On 27th April 2016 a new 5 year lease was signed for a flag ship office in Shoreditch, London. The total lease commitment is £999,364. Development of the office will commence in August 2016 and occupancy is estimated to be October 2016.

In connection with the new lease for the Shoreditch office a contract to fit out the space was signed on the 29th July 2016 for £175,000 with Kingly Developments Ltd. Development of the office commenced in August 2016 and occupancy is estimated to be October 2016.

21. Related party transactions

Advantage has been taken of the exemption available under IAS 24 from disclosing transactions with other members of the group since 100% of the voting rights are held by the group and consolidated accounts for the ultimate parent company are publicly available from the company's website.

22. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Monotype Imaging Inc, a company incorporated in Delaware, USA. The ultimate parent undertaking of the largest group including the company is Monotype Imaging Holdings Inc, incorporated in USA and listed on NASDAQ. The financial statements of Monotype Imaging Holdings Inc are publicly available on the company's website at: http://ir.monotype.com/.

Notes to the financial statements (Continued)

at 31 December 2015

23. Transition to FRS101

For all periods up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 December 2015, are the first the Company has prepared in accordance with FRS101.

Accordingly, the Company has prepared individual financial statements which comply with FRS101 applicable for periods beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2014, the Company's date of transition to FRS101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS101. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 January 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 December 2014.

On transition to FRS101, the company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards".

Reconciliation of equity as at 1st January 2014

	Notes	*UK GAAP* £	*FRS101 Re-classifications/Re-measurements* £	*FRS101* £
Fixed assets				
Intangible assets - Goodwill	a	1,208,570	-	1,208,570
Intangible assets - Other	b	1,211,310	337,133	1,548,443
Tangible assets	b	216,401	(27,795)	188,606
		2,636,281	309,338	2,945,619
Current assets				
Debtors	d, e	2,544,272	575,996	3,120,268
Cash at bank and in hand		856,135	-	856,135
		3,400,407	575,996	3,976,403
Creditors: amounts falling due within one year	c	(1,327,207)	(12,421)	(1,339,628)
Net current assets		2,073,200	563,575	2,636,775
Total assets less current liabilities		4,709,481	872,913	5,582,394
Creditors: amounts falling due after more than one year	d	(3,127,224)	145,372	(2,981,852)
Net Assets		1,582,257	1,018,285	2,600,542
Capital and reserves				
Called up share capital		100	-	100
Capital contribution reserve		1,499,302	-	1,499,302
Profit and loss account	a, b, c, d, e	82,855	1,018,285	1,101,140
Equity		1,582,257	1,018,285	2,600,542

Notes to the financial statements (Continued)

at 31 December 2015

23. Transition to FRS101 (continued)

Reconciliation of equity as at 31st December 2014

	Notes	UK GAAP £	FRS101 Re-classifications/Re-measurements £	FRS101 £
Fixed assets				
Intangible assets - Goodwill	a	1,452,278	143,592	1,595,870
Intangible assets - Other	b	1,036,590	470,807	1,507,397
Tangible assets	b	254,852	(15,252)	239,600
		2,743,720	599,147	3,342,867
Current assets				
Debtors	d, e	4,293,453	691,279	4,984,732
Cash at bank and in hand		784,855	-	784,855
		5,078,308	691,279	5,769,587
Creditors: amounts falling due within one year	c	(1,740,855)	(17,122)	(1,757,977)
Net current assets		3,337,453	674,157	4,011,610
Total assets less current liabilities		6,081,173	1,273,304	7,354,477
Creditors: amounts falling due after more than one year	d	(2,226,697)	191,494	(2,035,203)
Net Assets		3,854,476	1,464,798	5,319,274
Capital and reserves				
Called up share capital		100	-	100
Capital contribution reserve		2,184,032	-	2,184,032
Profit and loss account	a, b, c, d, e	1,670,344	1,464,798	3,135,142
Equity		3,854,476	1,464,798	5,319,274

(a) Goodwill

Under previous UK GAAP Goodwill was amortised over its useful life. On transition to FRS101 Goodwill is considered to have an indefinite life in accordance with IAS38, and is tested annually for impairment in accordance with IAS36. On transition to FRS101 the Company took advantage of the exemption under IFRS 1 not to restate its business combinations and the carrying value of Goodwill remains unchanged.

Under previous extant UK GAAP the amortisation charged during the year 2014 was £143,592. On conversion to IFRS, this amortisation was removed in line with IAS38.

(b) Intangible assets

Under the previous extant UK GAAP, the Company expensed all development costs as incurred. On transition to FRS101 the Company must capitalise development costs in accordance with IAS38. In addition, software classed in tangible fixed assets under the previous UK GAAP were re-classed under IFRS on transition.

Notes to the financial statements (Continued)

at 31 December 2015

23. Transition to FRS101 (continued)

At transition date, development costs of £311,647 were capitalised that had previously been expensed. The accumulated amortisation on these assets at transition was £12,346 resulting in a charge to retained earnings.

Software of £42,860 which was previously capitalised within tangible fixed assets was moved to intangibles. The result was to decrease accumulated amortisation at transition by £10,037, from £15,065 to £5,028, resulting in a release to retained earnings.

Further development costs of £186,382 were capitalised during 2014. Amortisation on these, and the previously capitalised development costs of £311,647 amounted to £49,538.

Further software of £1,811 previously capitalised within tangible fixed assets during 2014 was moved to intangibles. Amortisation on these, and the previously capitalised software costs of £42,860 amounted to £4,981 for the year 2014 and also resulted in a release of depreciation of £14,353 to retained earnings.

(c) Employee Benefits
On transition to FRS101, a holiday pay accrual has been accounted for of £17,122 at 31 December 2014 (£12,421 at 1 January 2014).

(d) Re measurement of intercompany loan and acquisition reserve
On transition to FRS101, the intercompany loan and acquisition reserve were re measured under the effective interest rate method. The effect is to increase debtors by £38,140 on transition rising to £79,835 during 2014 and decrease creditors by £145,372 on transition and further to £191,494 during 2014.

(e) Current and deferred tax
Because IFRS defines deferred tax in relation to temporary differences between carrying values and their related tax bases, rather than timing differences in the income statement, adjustments are required to recognise a number of items for which no deferred tax was recognised under UK GAAP.

At transition date, under previous extant UK GAAP, the deferred tax asset was £195,625. The revised deferred tax asset as at transition is £733,481, an increase of £537,856 at the transition date. The difference comprises a deferred tax liability on the capital development costs/software intangibles of £61,868 (being £309,338 @ 20%), less a deferred tax asset on the holiday pay accrual of £2,484 (being £12,421 @ 20%) plus a movement in the deferred tax asset in relation to share based payments to reflect the fact that there is no longer a restriction to the quantum of the deferred tax asset that can be recognised of £597,240.

Under previous extant UK GAAP at 31 December 2014 the deferred tax asset was £198,284. The revised deferred tax asset, under IFRS, at 31 December 2014, is £809,727, an increase of £611,443. This difference comprises a deferred tax liability on the capitalised development costs/software intangibles, of £94,161 (being £470,807 @ 20%) less a deferred tax asset on the holiday pay accrual of £3,424 (being (£17,122 @ 20%) plus a movement in the deferred tax asset in relation to share based payments to reflect the fact that there is no longer a restriction to the quantum of the deferred tax asset that can be recognised of £597,240 on transition as detailed above plus a further £104,940 in 2014.

There is no holiday accrual for the year ended 31 December 2015 and a deferred tax charge of £3,424 has been made to bring the asset value down to nil.

Notes to the financial statements (Continued)

at 31 December 2015

23. Transition to FRS101 (continued)

Reconciliation of total comprehensive income
The effect of the re-measurement differences on the reported total comprehensive income of the Company for the year ended 31 December 2014 is as follows:

	£
Total comprehensive income for the year ended 31 December 2014 under UK GAAP	1,587,490
Holiday pay accrual (note c)	(4,701)
Capitalisation of internal development (note b)	186,382
Amortisation on internal development (note b)	(49,538)
Removal of DBF Goodwill amortisation (note a)	143,592
Software depreciation replaced by amortisation (note b)	9,373
Movements on intercompany loan under EIR (note d)	56,637
Movements on acquisition reserve under EIR (note d)	31,180
Deferred tax liabilities (note e)	(5,159)
Deferred tax on share based payments	78,746
Total Comprehensive income for the year ended 31 December 2014 under FRS101	2,034,002