

QTec Analytics Limited

Report and Financial Statements

Year Ended

31 December 2014

Company Number 03047110

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QTec Analytics Limited
Report and financial statements
for the year ended 31 December 2014

Contents

Page:

1	Strategic report
4	Report of the directors
6	Independent auditor's report
8	Consolidated profit and loss account
9	Consolidated statement of recognised gains and losses
10	Consolidated balance sheet
11	Company balance sheet
12	Consolidated cash flow statement
13	Notes forming part of the financial statements

Directors

D S Altschuler
M Davis
J L Joffe
S R Kappes
Sir H Solomon

Registered office

22 Manchester Square, London, W1U 3PT

Company number

03047110

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

QTec Analytics Limited

Strategic report for the year ended 31 December 2014

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2014.

Principal activities

QTec Analytics Limited (QTec, or the Company) is the UK-registered parent company of a group of businesses united by the shared commitment to bring big data analytical tools and technology to decision makers. The principal activity of the Company is to serve as a growth platform that provides technology-enabled analytical solutions to a range of customers including governments, intelligence agencies, commercial enterprises, foundations and individuals. The Company's three business units during the period under review address complementary yet distinct market needs, combining service, product and technology offerings in each segment. These were as follows:

- **Voyager** - a provider of software-based solutions specializing in social media monitoring and analytics. Based in London with R&D activities in Tel Aviv, Voyager's analytic solution provides social media monitoring in real time in multiple languages, tools to query and visualize relationships and trends in vast unstructured data, and the ability to predict and provide alerts to organizations regarding issues or threats before they happen.
- **Monitor 360** - an intelligence and decision support organization that helps solve complex strategic and operational problems for businesses, foundations and national security organizations. With offices in San Francisco, CA and Washington, DC, Monitor 360 leverages big data analytics to provide a mixture of product based socio-cultural and strategic communications analysis, customized analytic studies and more general advisory services - all focused on key decision makers.
- **Quest** - an international advisory firm that helps clients manage and respond to security and integrity challenges facing their core assets, including brand. Quest's clients include global corporations, international sporting federations, police and national security agencies, and high net-worth individuals.

The Company's principle strategy is to continue transforming into a leading technology player in the social media and analytics space. The Company's Voyager unit is core to this strategy, representing a proprietary technology and fast-growing market position in social media analytics. As such, Voyager is able to provide proprietary services and crucial insights that help to guide the strategies and differentiate the offerings of the Company's other business units. For example, Monitor 360 has integrated various social media analytic tools into its activities, launching new, highly valued offerings to its clients.

As a part of its core strategy, the Company continually pursues the development of additional related lines of business that capitalize on the capabilities, resources and experiences of the Company and its business units in big data and social media analytics. Recognizing the importance of concentrating the Company's resources and management attention on such related, high growth lines of business, the Company sold its entire interest in its Quest business unit to a new company formed by Quest's executive management in June 2014.

In February 2014, the Company's Voyager unit raised an additional \$5,000,000 via issuance of additional shares to its existing shareholders, of which \$2,500,000 was invested by the Company. Subsequently, in September 2014, Voyager raised an additional \$20,000,000 via issuance of shares to a strategic third-party investor. This investment, which diluted QTec's interest in Voyager from 57% to 43%, provided Voyager with access to additional capital and strategic support to accelerate the development of its proprietary technology and growing market position.

QTec Analytics Limited
Strategic report
for the year ended 31 December 2014 (continued)

Business review

The directors set out below their review of the business of the group for the year ended 31 December 2014, including an analysis of the position of the group at the end of the period and a description of the principal risks and uncertainties facing the group (known as the 'business review').

We aim to present a balanced and comprehensive review of the development and performance of our business during the year and its position at the year end. Our review is consistent with the limited size and scope of our business and is written in the context of the risks and uncertainties we face.

Each of the company's three business units made important progress during 2014:

- **Voyager:** QTec's Voyager Analytics Limited operation continued to develop its proprietary technology for analysis of social media. Voyager also made continued progress securing clients for its analytical systems and services. As anticipated, Voyager produced operating losses during 2014 as investments in technology and marketing exceeded the unit's revenues.
- **Monitor 360:** QTec's Monitor 360 business was solidly profitable based on continued demand for its services among its traditional clients within the U.S. Government and continued rollout of Narrative Analytics, its new, technology-enabled offering aimed at both government and non-government clients. Monitor 360 expects Narrative Analytics to drive significant growth in coming years.
- **Quest:** QTec's Quest unit experienced steady revenue during the first half of 2014, primarily among Middle Eastern clients and High Net Worth Individuals. In June 2014, the Quest unit was sold to a new holding company formed by its executive management.

The company's three units each operate in markets that are highly competitive and subject to rapid change. Given QTec's limited size, the company is relatively reliant on large contracts with a limited number of customers. In addition, given the importance of technology to the company's offerings, there is risk that others might develop or incorporate technologies that are competitive with or superior to the company's technologies. With these risks and uncertainties in mind, the board closely monitors the activities of the group and regularly receives management reports; which include financial results, budgets, cash forecasts and assessments of current and future business developments for each business unit as well as for the consolidated group as a whole. In addition, to the extent that QTec's businesses are international in scope, we are mindful of and closely manage our currency exposure.

The results for the year are set out on page 8. Turnover for the year was £8.2 million producing gross profit of £7.6 million. The group incurred a loss before tax of £1.2m. The group has not historically been profitable, recently due to substantial investments in technology and establishing the platform for strong future growth. In connection with its on-going transformation into a technology-enabled software and service provider, the group anticipates future profitability to result from accelerated revenue growth, close management of operating expenses and development of additional related lines of business. Accordingly, the group's directors continue to view the future with confidence.

QTEC Analytics Limited

Strategic report for the year ended 31 December 2014 (continued)

Key Performance Indicators

The group uses a range of financial performance measures to monitor and manage the group effectively. These include turnover, gross margin, EBITDA (excluding exceptional items) and cash.

Principal Risks and Uncertainties

As a small, entrepreneurial business, the success of the group is dependent on retaining and motivating its key management and employees who have important capabilities, relationships and leadership responsibilities. To support this objective, the group offers competitive remuneration packages and equity in the form of an EMI share option scheme and other stock option plans to incentivise and retain key staff.

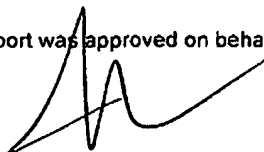
The group targets segments in which its current and prospective offerings are viewed as unique and advantaged. However, other enterprises may recognize the attractiveness of these segments and introduce competing offerings that could hinder the group's future growth.

A significant portion of the group's current revenue derives from existing clients under short-term contracts. While the group believes its relationships with these clients to be very strong, there can be no assurance that such clients will continue to renew contracts or that the terms of such renewals will be as favourable to the group as its current terms.

The group uses various financial instruments including cash and items such as trade debtors and trade creditors that arise directly from its operations. The existence of these financial instruments exposes the business to a number of financial risks which include currency risk, credit risk, cash flow and liquidity risk. With respect to currency risk, the group trades internationally and is exposed to movements in US dollars and Israeli shekels. The group monitors and minimizes as far as possible exposure from currency risk on an on-going basis. The group's principal credit risk relates to the recovery of amounts from trade debtors. In order to manage credit risk, the group sets limits for customers based on a combination of payment history and credit checks for new customers. The group monitors cash flow as part of its day-to-day control procedures. The group's Board of Directors considers cash flow projections on a monthly basis and ensures that appropriate facilities are available to be drawn upon as necessary.

Approval

This strategic report was approved on behalf of the Board on 28 March 2016



J L Joffe

Director

QTec Analytics Limited
Report of the directors
for the year ended 31 December 2014

The directors present their report together with the audited financial statements for the year ended 31 December 2014.

Results and dividends

The profit and loss account is set out on page 8 and shows the result for the year.

No dividends will be distributed for the year ended 31 December 2014 (2013 - £Nil).

The company adheres to the policies and standards identified in the Company's Quality Management System, which is certified by British Standards Institute to ISO9001.

Directors

The directors of the company during the year were:

D S Altschuler	
M Davis	
J L Joffe	
S R Kappes	
Sir H Solomon	
L M Dorfman CBE	(resigned 18 December 2014)
Lord Stevens of Kirkwhelpington	(resigned 18 December 2014)

Going concern

While the company operated at a loss during 2014, a substantial portion represents investments in technology, marketing and other resources intended to support rapid growth in future revenues. In the meantime, the company continues to closely manage costs throughout its businesses and the directors expect that continued growth in revenues will improve the company's financial performance. The company has continued support from its shareholders, who participated in two rounds of funding totalling \$2.6 million during 2015 and are committed to ensuring that the company has adequate finances to continue as a going concern for a period of at least twelve months from the date of signing the financial statements.

QTec Analytics Limited

Report of the directors for the year ended 31 December 2014 (*continued*)

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 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 and company 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;
- 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.

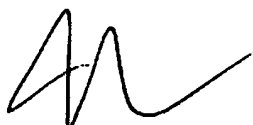
Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting.

On behalf of the board

J L Joffe



Director

Date

March 28th, 2016

QTec Analytics Limited

Independent auditor's report

TO THE MEMBERS OF QTEC ANALYTICS LIMITED

We have audited the financial statements of QTEC Analytics Limited for the year ended 31 December 2014 which comprise of the consolidated profit and loss account, the consolidated statement of recognised gains and losses, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. 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).

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 auditors

As explained more fully in the statement of directors' responsibilities, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2014 and of the group's loss 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.

Opinion on other matters 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.

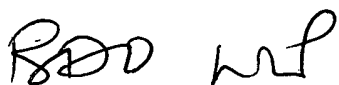
QTec Analytics Limited

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 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.



Gary Hanson (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date 29 March 2016

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

QTec Analytics Limited

Consolidated profit and loss account for the year ended 31 December 2014

	Note	2014 £	2013 £
Turnover	2	8,177,278	8,639,032
Cost of sales		(532,602)	(1,067,121)
Gross profit		7,644,676	7,571,911
Administrative expenses		(8,101,070)	(10,927,512)
Exceptional items	7	-	(619,238)
Operating loss	4		
Continuing operations		703,360	(2,025,654)
Discontinued operations		(1,159,754)	(1,949,185)
	5	(456,394)	(3,974,839)
Share of operating loss in associates	11	(59,207)	-
Interest expense		(6,299)	(15,770)
Loss on disposal of subsidiaries	17	(654,671)	-
Loss on ordinary activities before taxation		(1,176,571)	(3,990,609)
Taxation benefit	8	5,531	266,210
Loss after taxation before minority interest		(1,171,040)	(3,724,399)
Minority interest	20	696,699	586,938
Loss for the financial year	15	(474,341)	(3,137,461)

The notes on pages 13 to 27 form part of these financial statements.

QTec Analytics Limited

Consolidated statement of recognised gains and losses for the year ended 31 December 2014

	Note	2014 £	2013 £
Loss for the financial year for the group		(474,341)	(3,137,461)
Exchange translation differences on consolidation	15	(13,903)	151,730
		<hr/>	<hr/>
Loss for the group		(488,244)	(2,985,731)
		<hr/>	<hr/>

The notes on pages 13 to 27 form part of these financial statements.

QTec Analytics Limited

Consolidated balance sheet at 31 December 2014

Company number 03047110	Note	2014 £	2014 £	As restated 2013 £	As restated 2013 £
Fixed assets					
Intangible assets	9		124,368		192,513
Tangible assets	10		157,985		206,001
Investments in associates	11		892,746		-
			<u>1,175,089</u>		<u>398,514</u>
Current assets					
Debtors	12	3,094,184		2,210,498	
Cash at bank and in hand		2,715,815		4,238,177	
		<u>5,809,999</u>		<u>6,448,675</u>	
Creditors: amounts falling due within one year	13	(2,004,526)		(1,731,117)	
Net current assets			<u>3,805,473</u>		<u>4,717,558</u>
Net assets			<u>4,980,562</u>		<u>5,116,072</u>
Capital and reserves					
Called up share capital	14		765,415		741,027
Share premium	15		13,867,483		13,453,863
Reserve for share-based payments	15		28,442		28,442
Foreign currency reserve	15		(21,790)		(7,887)
Profit and loss account	15		(9,668,988)		(9,184,647)
Shareholders' funds	16		<u>4,980,562</u>		<u>5,030,798</u>
Minority interest			-		85,274
			<u>4,980,562</u>		<u>5,116,072</u>

The financial statements were approved by the Board of Directors and authorised for issue on 28 March 2016

J L Joffe
Director



The notes on pages 13 to 27 form part of these financial statements.

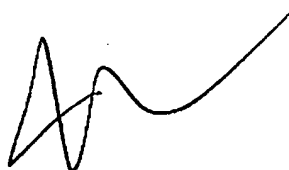
QTEC Analytics Limited

Company balance sheet at 31 December 2014

Company number 03047110	Note	2014 £	2014 £	2013 £	2013 £
Fixed assets					
Investments	11		5,662,480		4,962,397
Current assets					
Debtors	12	4,677,767		3,291,003	
Cash at bank and in hand		-		1,646,076	
		<u>4,677,767</u>		<u>4,937,079</u>	
Creditors: amounts falling due within one year	13	<u>(679,834)</u>		<u>(190,551)</u>	
Net current assets			<u>3,997,933</u>		<u>4,746,528</u>
Net assets			<u>9,660,413</u>		<u>9,708,925</u>
Capital and reserves					
Called up share capital	14		765,415		741,027
Share premium	15		13,867,483		13,453,863
Reserve for share-based payments	15		28,442		28,442
Profit and loss account	15		(5,000,927)		(4,514,407)
Shareholders' funds	16		<u>9,660,413</u>		<u>9,708,925</u>

The financial statements were approved by the Board of Directors and authorised for issue on 28 March 2016

J L Joffe
Director



The notes on pages 13 to 27 form part of these financial statements.

QTec Analytics Limited

Consolidated cash flow statement for the year ended 31 December 2014

	Note	2014 £	2013 £
Net cash inflow / (outflow) from operating activities	18	1,606,881	(2,705,260)
Returns on Investments and servicing of finance	19	(8,299)	(15,770)
Taxation	19	5,531	266,210
Capital expenditure and financial investment	19	(146,203)	(106,169)
Acquisitions and disposals	19	(3,444,405)	-
Cash outflow before financing		(1,984,495)	(2,560,989)
Financing	19	462,133	2,912,857
(Decrease)/increase in cash		(1,522,362)	351,868
Reconciliation of net cash flow to movement in net funds/debt			
(Decrease)/increase in cash in the year		(1,522,362)	351,868
Movement in net funds in the year		(1,532,362)	351,868
Net funds at 1 January 2014		4,238,177	3,886,309
Net funds at 31 December 2014		2,715,815	4,238,177

The notes on pages 13 to 27 form part of these financial statements.

QTec Analytics Limited

Notes forming part of the financial statements for the year ended 31 December 2014

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

The following principal accounting policies have been applied:

Going concern

The financial statements have been prepared under the going concern basis as the directors have prepared projections and forecasts which confirm that the group can meet its working capital requirements for at least 12 months from the date of signing of these financial statements. While the company operated at a loss during 2014, a substantial portion represents investments in technology, marketing and other resources intended to support rapid growth in future revenues. In the meantime, the company continues to closely manage costs throughout its businesses and the directors expect that continued growth in revenues will improve the company's financial performance. The company has continued support its shareholders, who participated in two rounds of funding totalling \$2.6 million during 2015 and are committed to ensuring that the company has adequate finances to continue as a going concern for a period of at least twelve months from the date of signing the financial statements.

Turnover

Turnover represents the net sales of services, excluding value added tax. Revenue is recognised in line with services provided, as the right to the income is earned. Turnover is recognised as-and-when the services are performed or straight-line over the life of the contract. Amounts invoiced in advance of performance are deferred and recognised in future periods.

Intangible fixed assets

Costs incurred in applying for trademarks have been capitalised and will be amortised over a period of ten years from the date of registration.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Leasehold improvements	-	33% on cost and 10% on cost
Plant and machinery	-	20% on cost
Fixtures and fittings	-	20% on cost
Motor vehicles	-	25% on cost
Computer equipment	-	33% on cost

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are recognised only if recoverability is considered probable.

QTec Analytics Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (continued)

1 Accounting policies (continued)

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the profit and loss account when incurred.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

The results of overseas operations are translated at the average rates of exchange during the year and the balance sheet translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves.

Leasing commitments

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

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

Share based payments

The Company has a share option scheme for executives and senior employees of the Company and its subsidiaries. In accordance with the plan, options may be granted by the Board to purchase ordinary shares. Each employee share option converts to one ordinary share on exercise. No amounts are paid or are payable on receipt of the option and they do not carry rights to dividends or voting rights.

The following share-based payment arrangements were in existence during the current and prior years:

	2014 £	2013 £
Outstanding at beginning of period	139,128	126,337
Granted during the period	5,307	15,277
Cancelled during the period	(67,939)	(2,486)
Exercised during the period	(24,389)	-
	<hr/>	<hr/>
Outstanding at end of period	52,107	139,128
Weighted average share price	14.87	16.77
Exercisable at end of period	25,245	46,258

QTec Analytics Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (continued)

1 Accounting policies (continued)

Share based payments (continued)

Fair value of share options granted in the year

As the Company's shares are not quoted on a listed exchange and there is no observable market price for them, the view taken by the Board is that neither the Monte Carlo method nor the Black Scholes method are appropriate methods of calculating the fair value of the options. On occasion, money is raised by issuing new shares to current or new investors and the fair value at that time of one ordinary share is derived by dividing the new monetary amount invested by the number of new shares issued. There were 5,307 and 15,277 options granted in 2014 and 2013, respectively. The average exercise price on the 2014 options was £33.33/share. All the options granted in 2013 were granted at an exercise price of £20.15/share. When options are granted at less than fair value, the option is valued at the difference between the fair value and the exercise price.

2 Turnover

An analysis of turnover by geographical market is given below:

	2014 £	2013 £
United Kingdom	1,455,125	1,269,271
Europe	354,613	240,246
Rest of World	6,367,540	7,129,515
	<u>8,177,278</u>	<u>8,639,032</u>

3 Employees

Staff costs (including directors) consist of:

	2014 £	2013 £
Wages and salaries	6,792,904	6,149,767
Social security costs	485,394	496,191
Other pension costs	-	23,848
	<u>6,278,298</u>	<u>6,669,806</u>

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

	Number	Number
Security and technology	48	60
Investigations	1	3
Management and administration	8	10
	<u>57</u>	<u>73</u>

QTec Analytics Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (continued)

4 Analysis of operating loss

	2014		2013	
	Continuing £	Discontinuing £	Continuing £	Discontinuing £
Turnover	6,387,539	1,809,739	7,209,643	1,429,389
Cost of sales	(171,650)	(360,952)	(943,237)	(123,884)
Gross profit	6,195,889	1,448,787	6,266,406	1,305,505
Administrative expenses	(5,492,529)	(2,608,641)	(8,292,060)	(2,635,452)
Exceptional items	-	-	-	(619,238)
	703,360	(1,159,764)	(2,025,654)	(1,949,185)

5 Operating loss

	2014 £	2013 £
This is arrived at after charging:		
Property rentals under operating leases	492,819	574,981
Depreciation	73,408	81,595
Amortisation of intangibles and goodwill	53,437	842,139
Auditors' remuneration	94,167	96,667
Loss on disposal of tangible and intangible assets	135,529	-

6 Directors' remuneration

	2014 £	2013 £
Directors' remuneration	532,500	653,153
Directors' pension contributions to money purchase schemes	-	4,667

Information regarding the highest paid director for the year ended 31 December 2014 is as follows:

Highest paid director	482,800	431,460
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7 Exceptional items

	2014 £	2013 £
Voyager related costs	-	619,238

The 2013 exceptional costs relate to a one-time exceptional payment made to the other shareholders of Voyager Analytics Limited in relation to an agreement made with them.

QTec Analytics Limited

**Notes forming part of the financial statements
for the year ended 31 December 2014 (continued)**

8 Taxation on loss on ordinary activities

	2014 £	2013 £
<i>Corporation tax</i>		
UK corporation tax	-	-
Foreign tax	(5,531)	(266,210)
	<u>(5,531)</u>	<u>(266,210)</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	-
	<u>(5,531)</u>	<u>(266,210)</u>
Taxation on loss on ordinary activities	<u>(5,531)</u>	<u>(266,210)</u>

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2014 £	2013 £
Loss on ordinary activities before tax	(1,176,571)	(3,990,609)
	<u>(1,176,571)</u>	<u>(3,990,609)</u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 21.49% (2013 – 21.00%/21.50%)	(252,846)	(856,873)
Effects of:		
Expenses not deductible for tax purposes	146,228	190,063
Depreciation in excess of capital allowances	-	155,269
Generation of tax losses	219,216	527,872
Utilisation of tax losses and other deductions	(17,233)	-
Income not deductible for tax purposes	(95,374)	-
Adjustment to tax charge in respect of previous periods	-	(309,503)
Foreign tax	(5,531)	-
Other	10	26,962
	<u>(5,531)</u>	<u>(266,210)</u>
Current tax benefit for period	<u>(5,531)</u>	<u>(266,210)</u>

The group has estimated tax losses of £2,044,459 (2014 - £4,432,550) available to be carried forward and offset against any future profits.

QTec Analytics Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 *(continued)*

8 Taxation on profit from ordinary activities *(continued)*

Factors affecting the deferred tax balance

The movement in the deferred taxation asset during the year was as follows:

	2015 £	2014 £
Opening balance	-	-
Recognition of asset	(380,288)	-
Disposal of asset	380,288	-
	<hr/>	<hr/>
Closing balance	-	-
	<hr/>	<hr/>

9 Intangible fixed assets

Group	Customer contracts £	Goodwill £	Patents and licences £	Total £
<i>Cost</i>				
At 1 January 2014	1,338,402	248,718	19,014	1,606,134
Additions	-	-	45,263	45,263
Disposals	-	-	(64,277)	(64,277)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	1,338,402	248,718	-	1,587,120
<i>Amortisation</i>				
At 1 January 2014	1,338,402	74,616	603	1,413,621
Amortisation for the year	-	49,744	3,693	53,437
Eliminated on disposal	-	-	(4,296)	(4,296)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	1,338,402	124,360	-	1,462,762
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2014	-	124,358	-	124,358
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2013	-	174,102	18,411	192,513
	<hr/>	<hr/>	<hr/>	<hr/>

QTec Analytics Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 *(continued)*

10 Tangible assets

Group	Leasehold improvements £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Total £
<i>Cost</i>						
At 1 January 2014	29,712	81,012	129,537	25,786	186,034	452,081
Additions	-	-	26,934	-	74,006	100,940
Disposals	(29,712)	(81,012)	(38,678)	(25,786)	(108,652)	(283,840)
At 31 December 2014	-	-	117,793	-	151,388	269,181
<i>Depreciation</i>						
At 1 January 2014	16,126	77,810	61,285	12,050	78,809	246,080
Charge for the year	1,485	847	19,980	3,167	47,929	73,408
Disposals	(17,611)	(78,657)	(39,652)	(15,217)	(57,155)	(208,292)
At 31 December 2014	-	-	41,613	-	69,583	111,196
<i>Net book value</i>						
At 31 December 2014	-	-	76,180	-	81,805	157,985
At 31 December 2013	13,586	3,202	68,252	13,736	107,225	206,001

QTec Analytics Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (continued)

11 Fixed asset investments

	Group Investment in Associate £	Company Shares in group undertakings £
<i>Cost or valuation</i>		
At 1 January 2014	-	4,962,397
Additions	951,953	1,520,544
Disposals	-	(820,461)
Share of loss	(59,207)	-
<i>Net book value</i>		
At 31 December 2014	892,746	5,662,480
At 31 December 2013	-	4,962,397

The group's investment in associate at the balance sheet date is as follows:

Name of company	Country	Class of shares	Holding	Nature of business
Voyager Analytics Ltd	UK	Ordinary	43%	Holding
Bionic 8 Analytics Ltd *	Israel	Ordinary	43%	Trading

* Owned by Voyager Analytics Ltd

At 31 December 2013 the group investment in Voyager Analytics Ltd was 57.0% and as a result was treated as a subsidiary undertaking. In September 2014 there was a dilution of the group's shareholding in Voyager Analytics Ltd in connection with an investment by a strategic third-party investor which reduced the holding to 43.29%. In accordance with United Kingdom Generally Accepted Accounting Practice, this dilution required Voyager Analytics Limited to be deconsolidated and accounted for as an associate.

As a result of the dilution, the balance sheet of the associate contains a ring fenced asset of £12.3m to which the group has no entitlement.

The company's investments at the balance sheet date in the share capital of companies include the following:

Name of company	Country	Class of shares	Holding	Nature of business
Quest Solutions Inc *	USA	Ordinary	100%	Holding
QTEC Analytics LLC	USA	Ordinary	100%	Holding
Monitor Government Venture Services LLC *	USA	Ordinary	100%	Trading

* Owned by QTec Analytics LLC

QTec Analytics Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (*continued*)

12 Debtors

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Amounts falling due within one year:				
Trade debtors	632,443	908,798	-	-
Other debtors	34,545	41,261	-	-
Taxes receivable	38,067	368,531	-	-
Called up share capital not paid	122,637	122,642	122,637	122,636
Prepayments and accrued income	777,751	665,504	220,181	-
Amounts owed by group undertakings	-	-	2,878,741	3,097,720
	<u>1,605,443</u>	<u>2,106,736</u>	<u>3,221,559</u>	<u>3,220,356</u>
Amounts falling due after more than one year:				
Other debtors	<u>1,488,741</u>	<u>103,762</u>	<u>1,456,208</u>	<u>70,647</u>
Aggregate amounts	<u>3,094,184</u>	<u>2,210,498</u>	<u>4,677,767</u>	<u>3,291,003</u>

13 Creditors: amounts falling due within one year

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Amounts owed to group undertakings	-	-	-	190,551
Trade creditors	51,187	245,097	-	-
Social security and other taxes	-	41,546	-	-
Other creditors	1,152,843	231,256	608,643	-
Accruals and deferred income	800,496	1,213,218	71,191	-
	<u>2,004,526</u>	<u>1,731,117</u>	<u>679,834</u>	<u>190,551</u>

QTec Analytics Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (continued)

14 Share capital

	2014 £	2013 £
Company and Group		
<i>Allotted, issued and fully paid</i>		
Ordinary shares of £1 each	762,637	738,249
'A' Ordinary shares of £1 each	2,778	2,778
	<u>765,415</u>	<u>741,027</u>

During the year 24,388 (2013 – 138,292) ordinary shares were issued for cash at a premium of £16.96 (2013 - £19.15).

15 Reserves

Group	Profit and loss account £	Share premium £	Foreign exchange reserve £	Share based equity reserve £	Total £
At 1 January 2014 as previously stated	(8,320,661)	13,453,863	(7,887)	28,442	5,151,313
Prior year adjustment (note 28)	(863,986)				(863,986)
At 1 January 2014 as restated	(9,184,647)	13,453,863	(7,887)	28,442	4,289,771
Loss for the year	(474,341)	-	-	-	(474,341)
Foreign exchange reserve	-	-	(13,903)	-	(13,903)
Share issue	-	413,620	-	-	413,620
At 31 December 2014	<u>(9,658,988)</u>	<u>13,867,483</u>	<u>(21,790)</u>	<u>28,442</u>	<u>4,215,147</u>
Company					
At 1 January 2014	(4,514,407)	13,453,863	-	28,442	8,967,898
Loss for the year	(486,520)	-	-	-	(486,520)
Share issue	-	413,620	-	-	413,620
At 31 December 2014	<u>(5,000,927)</u>	<u>13,867,483</u>	<u>-</u>	<u>28,442</u>	<u>8,894,998</u>

QTEC Analytics Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (continued)

16 Reconciliation of movements in shareholders' funds

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Loss for the financial year	(474,341)	(3,137,461)	(486,520)	(1,049,017)
Foreign exchange reserve	(13,903)	151,730	-	-
New share capital subscribed	24,388	138,292	24,388	138,292
Premium on issued share capital	413,620	2,648,292	413,620	2,648,292
Net (reduction) / increase in shareholders' funds	(50,236)	(199,147)	(48,512)	1,737,567
Opening shareholders' funds as previously stated	5,894,784	6,093,931	9,708,925	7,971,358
Prior year adjustment (note 28)	(863,986)	(863,986)	-	-
Opening shareholders' funds as restated	5,030,798	5,229,945	9,708,925	7,971,358
Closing shareholders' funds	4,980,562	5,030,798	9,660,413	9,708,925

17 Acquisitions and disposals

In September 2014, the Group's effective interest in the Voyager Analytics Limited sub-group was decreased from 54.81% to 43.29%. From this point on, pursuant to United Kingdom Generally Accepted Accounting Practice, Voyager Analytics Limited sub-group is accounted for as an associate. The net book value of the assets and liabilities of the Voyager Analytics Limited sub-group at the date of the Group losing its controlling interest are as follows:

	2014 £
Assets and liabilities de-consolidated	
Tangible fixed assets	45,842
Debtors	626,171
Cash in bank	3,530,873
Creditors	(2,683,909)
Net assets sold	1,518,977
Consideration	-
Net assets sold	(1,518,977)
Attributable to minority interest	611,425
Loss on disposal	(907,552)

QTec Analytics Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (continued)

17 Acquisitions and disposals (continued)

As required under United Kingdom Generally Accepted Accounting Practice, the results of the group attributable to the Voyager Analytics Limited sub-group have been recognised as discontinued operations in the profit and loss account. The group retains a substantial continued interest in the sub-group which is accounted for as an associate in note 11.

In June 2014, the Group disposed of its 100% interest in Quest Global Limited sub-group for cash consideration. The net book value of the assets and liabilities of the Quest Global Limited sub-group at the date of disposal are as follows:

	2014 £
Assets and liabilities sold	
Tangible fixed assets	40,216
Intangible fixed assets	59,980
Debtors	135,129
Deferred tax asset	380,288
Cash in bank	142,772
Creditors	(567,526)
Net assets sold	190,859
Cash consideration	229,240
Contingent consideration	214,500
Net assets sold	(190,859)
Profit on disposal	252,881

The results of the group attributable to Quest Global Limited sub-group have been recognised as discontinued operations in the profit and loss account.

18 Reconciliation of operating loss to net cash inflow from operating activities

	2014 £	2013 £
Operating loss	(456,394)	(3,974,839)
Depreciation	73,408	81,595
Amortisation	53,437	842,139
Loss on disposal of tangible and intangible assets	281,567	-
(Increase) / decrease in debtors	(1,810,774)	973,773
Decrease in creditors	3,524,844	(627,928)
Share of loss in associates	(59,207)	-
Net cash inflow / (outflow) from operating activities	1,606,881	(2,705,260)

QTec Analytics Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 *(continued)*

19 Analysis of cash flows for headings netted in the cash flow statement

	2014 £	2013 £
Returns on investment and servicing of finance		
Interest paid	(6,299)	(15,770)
	<hr/>	<hr/>
Taxation		
Corporation tax refunded	5,531	266,210
	<hr/>	<hr/>
	5,531	266,210
	<hr/>	<hr/>
Capital expenditure and financial investment		
Payments to acquire intangible fixed assets	(45,263)	-
Payments to acquire tangible fixed assets	(100,940)	(106,169)
	<hr/>	<hr/>
	(146,203)	(106,169)
	<hr/>	<hr/>
Acquisitions and disposals		
Cash on sale of business operations	229,240	-
Cash disposed of with business operation	(3,673,645)	-
	<hr/>	<hr/>
	(3,444,405)	-
	<hr/>	<hr/>
Financing		
Issue of ordinary share capital	438,008	2,786,584
Translation differences	25,125	126,273
	<hr/>	<hr/>
	462,133	2,912,857
	<hr/>	<hr/>

20 Minority Interest

	As restated £
Equity	
At 1 January 2014	85,274
Share of loss for the year	(696,699)
On disposals in the year	611,425
	<hr/>
At 31 December 2014	-
	<hr/>

QTec Analytics Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (*continued*)

21 Analysis of net debt

	At 1 January 2014 £	Cash flow £	At 31 December 2014 £
Cash in hand and at bank	4,238,177	(1,522,362)	2,715,815
Total	4,238,177	(1,522,362)	2,715,815

22 Commitments under operating leases

The group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2014 £	Land and buildings 2013 £	Other 2014 £	Other 2013 £
Operating leases which expire:				
Within one year	-	485,956	-	308,477
From 1 to 5 years	266,420	1,082,799	-	103,815
	266,420	1,568,755	-	412,292

23 Related party transactions

During the years ended 31 December 2014 and 2013, respectively, fees totalling £Nil and £12,500 were charged to the Travelex Group, of which Mr L Dorfman CBE is both a director and a shareholder and Lord Stevens of Kirkwhelpington is a director.

During the years ended 31 December 2014 and 2013, respectively, expenses totalling £Nil and £6,613 were charged to Axiom International Limited, of which Lord Stevens of Kirkwhelpington is a director.

During the years ended 31 December 2014 and 2013, respectively, expenses totalling £Nil and £12,553 were paid to Axiom International Limited, of which Lord Stevens of Kirkwhelpington is a director.

During the years ended 31 December 2014 and 2013, respectively, consulting expenses totalling £Nil and £17,685 were paid to The Protector Group, of which Lord Stevens of Kirkwhelpington is a director.

During the year QTec Analytics LLC entered into a loan agreement with a Director of the Company for \$623,000. The loan bears interest at 1.86% per annum and is nine years in duration.

During the year Quest Global Holdings Limited issued loan notes to QTec Analytics Ltd for £1,000,000. The loan is ten years in duration.

QTec Analytics Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (continued)

24 Share-based payment transactions

The group has granted options under the QTec Management Incentive Scheme with options vesting straight-line over a four year period.

	2014 Weighted average exercise price £	2014 Number	2013 Weighted average exercise price £	2013 Number
Outstanding at the beginning of the year	16.77	139,128	16.77	126,337
Granted during the year	33.33	5,307	20.15	15,277
Forfeited during the year	(20.15)	(67,939)	(20.15)	(2,486)
Exercised during the year	(15.08)	(24,389)	-	-
Outstanding at the end of the year	14.87	52,107	16.77	139,128

25 Loss of parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not present as part of these financial statements. The parent company's loss for the year was £486,520 (2013 - £1,049,017).

26 Post balance sheet events

In May and November 2015 the company raised an aggregate of \$2,600,000 of additional capital from existing shareholders.

In June 2015 Monitor Government Venture Services LLC raised approximately \$3,000,000 of additional capital from the company and certain executives and directors of MGVS.

27 Controlling party

There is no ultimate controlling party.

28 Prior year adjustment

In 2013, the 2012 brought forward figure in relation to the cumulative loss attributable to the minority interest was misstated by £863,986. This impacted the allocation of losses attributable to the group and to the minority interest. The prior year figures have been altered to reflect these adjustments which affect the balance sheet only.