

Registered number: 03047110

QTEC ANALYTICS LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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QTEC ANALYTICS LIMITED

COMPANY INFORMATION

Directors	David Aitschuler Michael Davis Jonathon Joffe Stephen Kappes Sir Harry Solomon
Registered number	03047110
Registered office	22 Manchester Square London W1U 3PT
Independent auditors	BDO LLP 55 Baker Street London W1U 7EU

CONTENTS

	Page
Group Strategic Report	1 - 3
Directors' Report	4 - 5
Independent Auditors' Report	6 - 7
Consolidated Statement of Comprehensive Income	8
Consolidated Balance Sheet	9
Company Balance Sheet	10
Consolidated Statement of Changes in Equity	11 - 12
Company Statement of Changes in Equity	13 - 14
Consolidated Statement of Cash Flows	15 - 16
Notes to the Financial Statements	17 - 35

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

Introduction

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2015.

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 technologies to key 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 commercial enterprises, governments, intelligence agencies, foundations and individuals. The Company's two primary business units address complementary yet distinct market needs:

- *Monitor 360 specializes in extracting analytical insights from vast amounts of digital information and turning them into usable, actionable business strategies for commercial, government and philanthropic clients. Using its proprietary Narrative Analytics methodology, Monitor 360 is able to harness algorithm-based analysis of large unstructured data sets, including social media posts, news stories, blogs, surveys and other content sources, to surface narratives, or underlying beliefs, that are held by different audiences and populations. Monitor 360 has offices in San Francisco, CA and Washington DC.*

- *Voyager Labs is a software company that is developing an artificial intelligence engine that combines expert systems with deep-learning algorithms. Voyager's cognitive computing deep-insights technologies enable Voyager to analyze massive amounts of publicly available unstructured data and provide actionable insights that enable customers to strengthen and protect their business' interests. Voyager has offices in New York, Washington and London, and an R&D center in Israel.*

QTEC's principle strategy is to continue transforming into a leading technology player in big data analytics. The Company's Voyager unit is core to this strategy, representing a proprietary technology platform for rapid, insightful analysis of unstructured data. As such, Voyager is able to provide proprietary services and crucial insights that help guide the strategies and offerings of the Company's other business units. For example, Monitor 360 has integrated the analysis of unstructured data into its core Narrative Analytics offering, thereby providing its clients with innovative solutions to difficult challenges.

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.

GROUP STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

Business review

The directors set out below their review of the business of the group for the year ended 31 December 2015, 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.

We aim to present a balanced and comprehensive review of the development and performance of our business during the year and its position at 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 two business units made important progress during 2015:

- **Monitor 360:** QTEC's Monitor 360 unit continued to experience growing demand for its technology-enabled Narrative Analytics offering among corporate, government and non-profit clients. During 2015, Monitor 360 initiated a two-year investment program in technical and sales staff to develop a proprietary technology platform and accelerate Narrative Analytics future revenue growth. As a result of these investments, the unit produced operating losses during 2015.
- **Voyager:** QTEC's Voyager Analytics operation continued to develop its proprietary technologies for cognitive analysis of unstructured data. As anticipated, Voyager produced operating losses during 2015 as investments in technology exceeded the unit's revenues. In April 2015, the Company's Voyager unit raised an additional \$75,000,000 via issuance of shares to a third-party investor. This investment, which diluted QTEC's interest in Voyager from 43% to 34%, provided Voyager with access to additional capital and strategic support to accelerate the development of its proprietary technologies.

The Company's two principal 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. 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 £4.80 million producing gross profit of £4.68 million. The Group incurred a profit before tax of £12.6 million due to the gain on the valuation of its Voyager investment of £16.6 million. The Group has not historically been profitable, recently due to substantial investments in technology and establishing platforms 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, management of operating expenses and development of additional related lines of business. Accordingly, the Group's directors continue to view QTEC's future with confidence.

**GROUP STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015**

Principal risks and uncertainties

As a small, entrepreneurial business, the success of the Group is dependent on retaining and motivating its key managers 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 a 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 regular basis and ensures that appropriate facilities are available to be drawn upon as necessary.


Financial key performance indicators

QTEC Analytics Limited and its operating units are developing technology companies investing to build differentiated, proprietary platforms with strong future revenue growth prospects. For example, Monitor 360 has been transitioning from traditional consulting to its innovative Narrative Analytics offering while investing in technology to support its delivery. Similarly, Voyager is just emerging from a stealthy development phase and in 2016 is launching its principal offerings into the market.

As such, the directors do not believe that conventional key performance indicators are useful for monitoring the company's development, performance or position during this phase of development. The directors closely monitor the progress of the company and its units relative to their technology roadmaps and cash usage relative to cash forecasts and reserves.

This report was approved by the board on 12 December 2016 and signed on its behalf.

Jonathon Joffe
Director



**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

Directors

The directors who served during the year were:

David Altschuler
Michael Davis
Jonathon Joffe
Stephen Kappes
Sir Harry Solomon

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £12,545,015 (2014 - loss £1,418,543).

Future developments and Post Balance Sheet Event

In July 2016, QTec Analytics Limited completed a \$1.88m funding round with its existing shareholders. Proceeds were used to support Monitor 360's continued technical and commercial development.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015**

Financial instruments

The Group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Group does not use derivative financial instruments for speculative purposes.

Pricing risk

Contracts are generally short term in nature and the Group ensures these are carefully priced to ensure that the Group earns healthy margins on services delivered.

Credit risk

The Group's customers are generally large, creditworthy commercial and government entities. Senior management closely monitors the Group's accounts receivables to avoid significant credit exposure.

Liquidity and Cash flow risk

Each of the Group's trading units maintains budgets and cash forecasts to ensure adequate cash resources are available and to protect against the potential variability inherent in their operations. In addition, the Group maintains access to additional capital through its shareholder and other relationships.

Disclosure of information to auditors

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

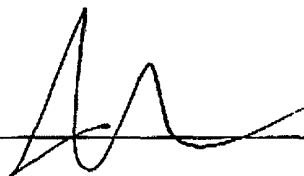
- so far as that director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the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

Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 12 December 2016 and signed on its behalf.

Jonathon Joffe
Director



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QTEC ANALYTICS LIMITED

We have audited the financial statements of QTEC Analytics Limited for the year ended 31 December 2015 which comprise the consolidated Statement of Comprehensive Income, the consolidated and company Balance Sheets, the consolidated and company Statements of Changes in Equity, the consolidated Statement of Cash Flows 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 Auditors' 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 Directors' Responsibilities Statement the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 Financial Reporting Council'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 2015 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QTEC ANALYTICS LIMITED
(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.

BDO LLP

Gary Hanson (Senior Statutory Auditor)

for and on behalf of
BDO LLP, statutory auditor

55 Baker Street

London

W1U 7EU

Date: *13 December 2016*

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

QTEC ANALYTICS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

		Total	Continuing	Discontinued	Total
		2015	operations	operations	Total
		£	As restated	As restated	As restated
	Note		2014	2014	2014
			£	£	£
Turnover	3	4,800,316	6,367,539	1,809,739	8,177,278
Cost of sales		(119,982)	(171,650)	(360,952)	(532,602)
Gross profit		4,680,334	6,195,889	1,448,787	7,644,676
Administrative expenses		(6,476,762)	(5,416,515)	(2,608,541)	(8,025,056)
Operating profit/(loss)	4	(1,796,428)	779,374	(1,159,754)	(380,380)
Share of other comprehensive loss from associates		(2,218,419)	(59,208)	-	(59,208)
Gain on investment in associate		16,553,868	(991,962)	-	(991,962)
Interest receivable and similar income	7	39,871	13,775	-	13,775
Interest payable and similar charges	8	(12,822)	(6,299)	-	(6,299)
Profit/(Loss) on ordinary activities before taxation		12,566,070	(264,320)	(1,159,754)	(1,424,074)
Tax (charge)/credit	9	(21,055)	5,531	-	5,531
Profit/(loss) for the year		12,545,015	(258,789)	(1,159,754)	(1,418,543)
Total comprehensive income/(loss) for the year		12,545,015			(1,418,543)
Non-controlling interests		(16,147)	-	(611,426)	(611,426)
Owners of the parent Company		12,561,162	(258,789)	(548,328)	(807,117)
		12,545,015	(258,789)	(1,159,754)	(1,418,543)

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

QTEC ANALYTICS LIMITED
REGISTERED NUMBER 03047110

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015

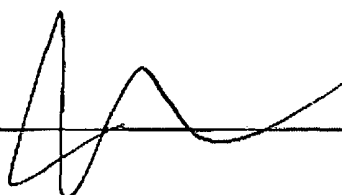
	Note	£	2015 £	As restated 2014 £
Fixed assets				
Intangible assets	11		74,615	124,359
Tangible assets	12		105,010	157,985
Investments	13		15,228,195	892,746
			<u>15,407,820</u>	<u>1,175,090</u>
Current assets				
Debtors	14	3,372,264	2,770,665	
Cash at bank and in hand	15	2,312,872	2,715,815	
		<u>5,685,136</u>	<u>5,486,480</u>	
Creditors: amounts falling due within one year	16	(3,022,249)	(1,750,488)	
Net current assets			<u>2,662,887</u>	<u>3,735,992</u>
Net assets			<u>18,070,707</u>	<u>4,911,082</u>
Capital and reserves				
Called up share capital	18		793,669	765,415
Share premium account	19		14,296,895	13,867,483
Other reserves	19		-	28,442
Profit and loss account	19		2,996,290	(9,750,258)
Equity attributable to owners of the parent Company			<u>18,086,854</u>	<u>4,911,082</u>
Non-controlling interests			(16,147)	-
			<u>18,070,707</u>	<u>4,911,082</u>

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

12 December 2016

Jonathon Joffe
Director

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



COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2015

	Note	£	2015 £	£	2014 £
Fixed assets					
Investments	13		5,662,479		5,662,479
			<u>5,662,479</u>		<u>5,662,479</u>
Current assets					
Debtors	14	5,763,762		4,354,252	
Cash at bank and in hand	15	401,351		-	
		<u>6,165,113</u>		<u>4,354,252</u>	
Creditors: amounts falling due within one year	16	(1,818,063)		(679,835)	
Net current assets			<u>4,347,050</u>		<u>3,674,417</u>
Net assets			<u><u>10,009,529</u></u>		<u><u>9,336,896</u></u>
Capital and reserves					
Called up share capital	18		793,669		765,415
Share premium account	19		14,296,895		13,867,483
Other reserves	19		-		28,442
Profit and loss account	19		(5,081,035)		(5,324,444)
			<u><u>10,009,529</u></u>		<u><u>9,336,896</u></u>

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

12 December 2015

Jonathon Joffe
Director

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

QTEC ANALYTICS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Called up share capital £	Share premium account £	Other reserves £	Profit and loss account £	Equity attributable to owners of parent Company £	Non- controlling interests £	Total equity £
At 1 January 2015 (as previously stated)	765,415	13,867,483	28,442	(10,004,293)	4,657,047	-	4,657,047
Prior year adjustment	-	-	-	254,035	254,035	-	254,035
At 1 January 2015 (as restated)	765,415	13,867,483	28,442	(9,750,258)	4,911,082	-	4,911,082
Comprehensive income for the year							
Profit for the year	-	-	-	12,561,162	12,561,162	(16,147)	12,545,015
Total comprehensive income for the year							
Shares issued during the year	28,254	429,412	-	12,561,162	12,561,162	(16,147)	12,545,015
Transfer to/from profit and loss account	-	-	(185,386)	185,386	457,666	-	457,666
Share based payments expense	-	-	156,944	-	156,944	-	156,944
Total transactions with owners	28,254	429,412	(28,442)	185,386	614,610	-	614,610
At 31 December 2015	793,669	14,296,895	-	2,996,290	18,086,854	(16,147)	18,070,707

QTEC ANALYTICS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Called up share capital £	Share premium account £	Other reserves £	Profit and loss account £	Equity attributable to owners of parent Company £	Non- controlling interests £	Total equity £
At 1 January 2014 (as previously stated)	741,027	13,453,863	28,442	(8,243,274)	5,980,058	(85,274)	5,894,784
Prior year adjustment	-	-	-	(863,986)	(863,986)	-	(863,986)
At 1 January 2014 (as restated)	741,027	13,453,863	28,442	(9,107,260)	5,116,072	(85,274)	5,030,798
Comprehensive Income for the year	-	-	-	(807,117)	(807,117)	85,274	(721,843)
Loss for the year	-	-	-	(807,117)	(807,117)	85,274	(721,843)
Total comprehensive income for the year	-	-	-	(807,117)	(807,117)	85,274	(721,843)
Shares issued during the year	24,388	413,620	-	-	438,008	-	438,008
Transfer to/from profit and loss account	-	-	(164,119)	164,119	-	-	-
Share based payments expense	-	-	164,119	-	164,119	-	164,119
Total transactions with owners	24,388	413,620	-	164,119	602,127	-	602,127
At 31 December 2014	765,415	13,867,483	28,442	(9,750,258)	4,911,082	-	4,911,082

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

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital £	Share premium account £	Other reserves £	Profit and loss account £	Total equity £
At 1 January 2015	765,415	13,867,483	28,442	(5,324,444)	9,336,896
Comprehensive income for the year					
Profit for the year	-	-	-	193,381	193,381
Contributions by and distributions to owners					
Shares issued during the year	28,254	429,412	-	-	457,666
Transfer to/from profit and loss account	-	-	(50,028)	50,028	-
Share based payments expense	-	-	21,586	-	21,586
Total transactions with owners	28,254	429,412	(28,442)	50,028	479,252
At 31 December 2015	793,669	14,296,895	-	(5,081,035)	10,009,529

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2014	741,027	13,453,863	28,442	(4,514,408)	9,708,924
Comprehensive income for the year					
Loss for the year	-	-	-	(932,059)	(932,059)
Contributions by and distributions to owners					
Shares issued during the year	24,388	413,620	-	-	438,008
Transfer to/from profit and loss account	-	-	(122,023)	122,023	-
Share based payments expense	-	-	122,023	-	122,023
Total transactions with owners	24,388	413,620	-	122,023	560,031
At 31 December 2014	765,415	13,867,483	28,442	(5,324,444)	9,336,896

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

QTEC ANALYTICS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	2015 £	As restated 2014 £
Cash flows from operating activities		
Profit for the financial year	12,545,015	(1,418,543)
Adjustments for:		
Amortisation of intangible assets	49,744	53,437
Depreciation of tangible assets	75,414	73,408
Loss on disposal of tangible assets	4,032	281,567
Interest paid	12,822	6,299
Interest received	(39,871)	(13,775)
Increase in debtors	(605,741)	(1,487,257)
Decrease in amounts owed by associates	(33,479)	-
Increase in creditors	1,255,268	2,888,085
Share of operating (profit)/loss in associates	2,218,419	59,207
Corporation tax	54,112	(5,531)
(Gain)/Loss on disposal of investment in subsidiaries/associate	(16,553,867)	991,962
Foreign exchange	(2,819)	-
Share based payments expense	158,944	164,119
Net cash generated from operating activities	(864,007)	1,592,978
Cash flows from investing activities		
Purchase of intangible fixed assets	-	(45,263)
Purchase of tangible fixed assets	(23,651)	(100,940)
Sale of unlisted and other investments	-	229,240
Interest received	39,871	-
Cash disposed of with business operation	-	(3,673,645)
Net cash from Investing activities	16,220	(3,590,608)

**CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015**

	2015 £	As restated 2014 £
Cash flows from financing activities		
Issue of ordinary shares	457,666	438,008
Interest paid	(12,822)	(6,299)
Translation differences	-	43,559
Net cash used in financing activities	444,844	475,268
Cash and cash equivalents at beginning of year	2,715,815	4,238,177
Cash and cash equivalents at the end of year	2,312,872	2,715,815
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,312,872	2,715,815

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. Accounting policies

1.1 Basis of preparation of financial statements

QTec Analytics Limited is a private company incorporated in England and Wales under the Companies Act. The address of the registered office is shown on the contents page and the nature of the group's operations and its principal activities are set out in the Strategic Report.

The financial statements are the first financial statements prepared under Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006. Information on the impact of first time adoption is given in note 27.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been applied:

1.2 Basis of consolidation

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

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

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2014.

1.3 Associates and joint ventures

An entity is treated as an associated undertaking where the Group exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

In the consolidated accounts, interests in associated undertakings are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investors share of the profit or loss, other comprehensive income and equity of the associate. The Consolidated Statement of Comprehensive Income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. In the Consolidation Balance Sheet, the interest in associated undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

Any premium on acquisition is dealt with in accordance with the goodwill policy.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015****1. Accounting policies (continued)****1.4 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 2015, 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.

1.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

1.6 Intangible assets**Goodwill**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Profit and Loss Account over its useful economic life. The Goodwill relates primarily to customer contracts which are estimated to have a useful life of five years.

1.7 Tangible fixed assets

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. Accounting policies (continued)

1.7 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	-	20%
Computer equipment	-	33%

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

1.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

1.9 Debtors

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

1.10 Cash and cash equivalents

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

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

1.11 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. Accounting policies (continued)**1.11 Financial instruments (continued)**

Instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

1.12 Creditors

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

1.13 Foreign currency translation**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and Loss Account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Profit and Loss Account within 'other operating income'.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. Accounting policies (continued)**1.14 Finance costs**

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

1.15 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Profit and Loss Account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance Sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Fair value is measured by use of the Black Scholes pricing model which is considered by management to be the most appropriate method of valuation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

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

Where equity instruments are granted to persons other than employees, the Profit and Loss Account is charged with fair value of goods and services received.

1.16 Operating leases: the Group as lessee

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

1.17 Pensions**Defined contribution pension plan**

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

The contributions are recognised as an expense in the Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. Accounting policies (continued)**1.18 Interest income**

Interest income is recognised in the Profit and Loss Account using the effective interest method.

1.19 Taxation

Tax is recognised in the Profit and Loss Account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

2. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revisions affect only that period, or in the period of the revisions and future periods if the revision affects both current and future periods.

The 2015 accounts reflect certain judgements related to the application of accounting policies. In particular, the Company has assessed the recoverability of loans to third-parties as well as estimated market rates of interest applicable to such loans in order to reflect their present value in the financial statements. The Company has also estimated the fair value of options issued during the accounting period for purposes of recording the associated expense.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

3. Turnover

Analysis of turnover by country of destination:

	2015 £	2014 £
United Kingdom	-	1,455,125
Rest of Europe	-	354,613
Rest of the world	4,800,316	6,367,540
	<u>4,800,316</u>	<u>8,177,278</u>

All revenue arises from the rendering of services.

4. Operating loss

The operating loss is stated after charging:

	2015 £	2014 £
Depreciation of tangible fixed assets	78,515	73,408
Amortisation of intangible assets, including goodwill	49,744	53,437
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	38,673	51,333
Exchange differences	(844,127)	606,007
Other operating lease rentals	307,795	492,819
Defined contribution pension cost	191,205	140,983
Loss on disposal of tangible assets	4,032	135,529

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

5. Employees

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

	2015 £	2014 £
Wages and salaries	4,294,905	5,557,400
Social security costs	283,491	485,394
Cost of defined contribution scheme	191,205	140,983
	<u>4,769,601</u>	<u>6,183,777</u>

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

	2015 No.	2014 No.
Security and technology	26	48
Investigations	-	1
Management and administration	16	8
	<u>42</u>	<u>57</u>

6. Directors' remuneration

	2015 £	2014 £
Directors' emoluments	374,223	532,500
Company contributions to defined contribution pension schemes	8,669	8,784
	<u>382,892</u>	<u>541,284</u>

During the year retirement benefits were accruing to 1 director (2014 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £327,118 (2014 - £482,800).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £8,669 (2014 - £8,784).

7. Interest receivable and similar income

	2015 £	2014 £
Other interest receivable	<u>39,871</u>	<u>13,775</u>

QTEC ANALYTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

8. Interest payable and similar charges

	2015 £	2014 £
Bank interest payable	12,822	6,299

9. Taxation

	2015 £	2014 £
Corporation tax		
Current tax on profits for the year	21,055	(5,531)
Total current tax	21,055	(5,531)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2014 - *higher than*) the standard rate of corporation tax in the UK of 20.25% (2014 - 21.49%). The differences are explained below:

	2015 £	2014 £
Profit on ordinary activities before tax	12,566,070	(1,424,074)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.49%)	2,544,629	(306,034)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	7,045	146,226
Utilisation of tax losses	(42,390)	(17,233)
Non-taxable income	(2,948,913)	(95,374)
Unrelieved tax losses carried forward	568,302	272,405
Overseas tax rate higher than UK corporate tax rate	5,922	-
Foreign tax	19,069	(5,531)
Other differences leading to an increase (decrease) in the tax charge	(132,609)	10
Total tax charge for the year	21,055	(5,531)

Factors that may affect future tax charges

The group has estimated tax losses of £4,145,889 (2014: £2,044,459) available to be carried forward and offset against future profits.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

10. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent Company for the year was £193,381 (2014 - loss £932,059).

11. Intangible assets**Group and Company**

	Goodwill
	£
Cost	
At 1 January 2015	248,719
At 31 December 2015	<u>248,719</u>
Amortisation	
At 1 January 2015	124,360
Charge for the year	49,744
At 31 December 2015	<u>174,104</u>
Net book value	
At 31 December 2015	<u>74,615</u>
At 31 December 2014	<u>124,359</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

12. Tangible fixed assets**Group**

	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation			
At 1 January 2015	117,793	151,388	269,181
Additions	2,441	21,210	23,651
Disposals	(8,221)	(14,700)	(22,921)
Exchange adjustments	5,538	7,117	12,655
At 31 December 2015	117,551	165,015	282,566
Depreciation			
At 1 January 2015	41,613	69,583	111,196
Charge for the period	29,250	49,265	78,515
Disposals	(3,967)	(13,415)	(17,382)
Exchange adjustments	1,956	3,271	5,227
At 31 December 2015	68,852	108,704	177,556
Net book value			
At 31 December 2015	48,699	56,311	105,010
At 31 December 2014	76,180	81,805	157,985

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

13. Fixed asset investments

Group

**Investments
in
associates
£**

Cost

At 1 January 2015	892,746
Gain in year	16,553,868
Share of loss	(2,218,419)

Net book value

At 31 December 2015	<u>15,228,195</u>
At 31 December 2014	<u>892,746</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Monitor Government Venture Services LLC	USA	Ordinary	94 %	Professional services
QTec Analytics LLC	USA	Ordinary	100 %	Holding company
QTec Services Inc	USA	Ordinary	100 %	Holding company

The aggregate of the share capital and reserves as at 31 December 2015 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit/(Loss) £
Monitor Government Venture Services LLC	6,319,595	(1,431,081)
QTec Analytics LLC (including QTec Services Inc)	1,837,639	1,074,940
	<u>8,157,234</u>	<u>(356,141)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

13. Fixed asset investments (continued)

Participating interests

Associates

Name	Country of incorporation	Class of shares	Holding	Principal activity
Voyager Analytics Ltd	UK	Ordinary	34%	Software development and sale
Bionic 8 Analytics Ltd	Israel	Ordinary	34%	Software research and development

Company

	Investments in subsidiary companies £	Investments in associates £	Total £
Cost or valuation			
At 1 January 2015	3,018,126	2,644,353	5,662,479
At 31 December 2015	3,018,126	2,644,353	5,662,479

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

14. Debtors

	Group 2015 £	Group As restated 2014 £	Company 2015 £	Company As restated 2014 £
Due after more than one year				
Other debtors	1,280,491	1,165,224	1,235,730	1,132,691
	<u>1,280,491</u>	<u>1,165,224</u>	<u>1,235,730</u>	<u>1,132,691</u>
Due within one year				
Trade debtors	723,769	632,323	-	-
Amounts owed by group undertakings	-	-	4,358,741	2,845,263
Amounts owed by joint ventures and associated undertakings	33,478	-	33,478	33,478
Other debtors	456,889	25,759	-	-
Called up share capital not paid	122,637	122,637	122,637	122,637
Prepayments and accrued income	745,768	777,870	13,176	220,183
Tax recoverable	9,232	46,852	-	-
	<u><u>3,372,264</u></u>	<u><u>2,770,665</u></u>	<u><u>5,763,762</u></u>	<u><u>4,354,252</u></u>

15. Cash and cash equivalents

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Cash at bank and in hand	2,312,872	2,715,815	401,351	-
	<u><u>2,312,872</u></u>	<u><u>2,715,815</u></u>	<u><u>401,351</u></u>	<u><u>-</u></u>

16. Creditors: Amounts falling due within one year

	Group 2015 £	Group As restated 2014 £	Company 2015 £	Company As restated 2014 £
Trade creditors	138,540	51,187	-	-
Corporation tax	16,493	-	-	-
Other creditors	2,438,313	898,805	1,734,690	608,644
Accruals and deferred income	428,903	800,496	83,373	71,191
	<u><u>3,022,249</u></u>	<u><u>1,750,488</u></u>	<u><u>1,818,063</u></u>	<u><u>679,835</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

17. Financial instruments

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Financial assets				
Financial assets measured at fair value through profit or loss	2,312,872	2,715,815	401,351	-
Financial assets that are debt instruments measured at amortised cost	3,228,266	2,608,651	5,759,680	4,350,485
	<u>5,541,138</u>	<u>5,324,466</u>	<u>6,161,031</u>	<u>4,350,485</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(2,989,999)	(1,740,110)	(1,818,063)	(679,834)

Financial assets measured at fair value through profit or loss comprise cash and cash equivalents.

Financial assets measured at amortised cost comprise trade and other debtors.

Financial Liabilities measured at amortised cost comprise trade and other creditors.

18. Share capital

	2015 £	2014 £
Shares classified as equity		
Allotted, called up and fully paid		
793,669 (2014 - 762,637) Ordinary shares of £1 each	793,669	762,637
2014 - 2,778 'A' Ordinary shares of £1 each	-	2,778
	<u>793,669</u>	<u>765,415</u>

During the year, the 2,778 'A' Ordinary shares were redesignated as 2,778 Ordinary shares.

During the year options were exercised resulting in the following issues of shares:

1,884 Ordinary shares with a nominal value of £1 each at a price of \$30.51 per share. Consideration of \$57,481 was received by the company.

10,896 Ordinary shares with a nominal value of £1 each at a price of \$15.14 per share. Consideration of \$164,965 was received by the company.

15,474 Ordinary shares with a nominal value of £1 each at a price of \$30.51 per share. Consideration of \$472,112 was received by the company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

19. Reserves

Share premium

Includes premium on issue of share capital.

Other reserves

Includes expenses recognised in relation to share based payments and transfer of these expenses to the Profit and Loss account.

Profit and loss account

Includes all current and prior period retained profits and losses.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

20. Share based payments

The Group 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 vesting period is generally four years. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows:

	Weighted average exercise price (pence) 2015	Number 2015	Weighted average exercise price (pence) 2014	Number 2014
Outstanding at the beginning of the year	1487	52,107	1677	139,128
Granted during the year	0	-	3333	5,307
Forfeited during the year	0	-	2015	(67,939)
Exercised during the year	1624	(28,254)	1508	(24,389)
Outstanding at the end of the year	2166	23,853	1487	52,107

The fair value of the share options at the grant date was calculated using the Black Scholes model, which is considered to be the most appropriate generally accepted valuation method of measuring fair value.

The Group recognised total expenses related to equity-settled share-based payment transactions in 2015 and 2014 as detailed below:

	2015 £	2014 £
Equity-settled schemes	156,944	164,119

21. Prior year adjustment

A number of adjustments relating to the 2014 figures were not accounted for in one of the subsidiaries. A prior year adjustment has been put through to account for this. The effect of this adjustment has been to increase expenses by £254,035, relating to corporate expenses and overaccrued bonuses.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

22. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £191,205 (2014 - £140,983). Contributions totalling £201,449 (2014 - £Nil) were payable to the fund at the balance sheet date.

23. Commitments under operating leases

At 31 December 2015 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2015 £	Group 2014 £
Not later than 1 year	301,351	266,546
Later than 1 year and not later than 5 years	606,757	522,792
	<u>908,108</u>	<u>789,338</u>

24. Related party transactions

During the prior 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.

In December 2014, Monitor Government Venture Services, LLC (MGVS) entered into a consulting relationship with Argotyché, which is an interest of the Chairman of MGVS. MGVS paid Argotyché £80k in 2015 for consulting services, including expenses. No payments were made to Argotyché in 2014. There were no outstanding liabilities to Argotyché at 31 December 2015.

25. Post balance sheet events

Subsequent to the year end, an agreement was reached whereby the £1,000,000 loan granted in 2014 to QTec Analytics Limited and repayable in 10 years time will be repaid prior to June 30, 2017 at a discounted amount of £750k to reflect early repayment.

In July 2016, QTec Analytics Limited completed a \$1.88m funding round with its existing shareholders. Proceeds were used to support Monitor 360's continued technical and commercial development.

26. Controlling party

There is no ultimate controlling party.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

27. First time adoption of FRS 102

This is the first year that the Group has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014.

As a result of adopting FRS 102, a long term intercompany loan receivable in the parent company has been discounted using a market rate of interest. The impact of this transition adjustment can be reconciled as follows:

	Group 31 December 2014 £	Company 31 December 2014 £
Statement of Changes in Equity as previously stated	5,234,599	9,660,413
Impact of FRS 102 transition	<u>(323,517)</u>	<u>(323,517)</u>
Statement of Changes in Equity as restated	<u>4,911,082</u>	<u>9,336,896</u>

	Group 31 December 2014 £
Statement of Comprehensive Income as previously stated	(1,095,026)
Impact of FRS 102 transition	<u>(323,517)</u>
Statement of Comprehensive Income as restated	<u>(1,418,543)</u>