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**DICTAPHONE  
INTERNATIONAL LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2006**

# **DICTAPHONE INTERNATIONAL LIMITED**

## **FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 2006

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### **DIRECTORS AND AUDITORS**

Company registration number      03056420

Registered office                      Globe House  
Victoria Way  
Woking  
Surrey  
GU21 6DD

Directors                                J R Arnold  
J Anthierens  
S Miller

Secretary                                J R Arnold

Bankers                                  Barclays Bank plc  
PO Box 51  
Station Road  
Harlow  
Essex  
CM17 0BQ

Independent auditors                  PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
West London  
The Atrium  
1 Harefield Road  
Uxbridge  
UB8 1EX

# **DICTAPHONE INTERNATIONAL LIMITED**

## **FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 2006

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<b>INDEX</b>	<b>PAGE</b>
Directors' report	1 – 2
Independent auditors' report	3
Profit and loss account	4
Balance sheet	5
Statement of accounting policies	6- 7
Notes to the financial statements	8- 16

# **DICTAPHONE INTERNATIONAL LIMITED**

## **DIRECTORS' REPORT**

For the year ended 31 DECEMBER 2006

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The directors present their report together with the audited financial statements of the Company for the year ended 31 December 2006. The report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

### **Principal activity**

The principal activities of the Company during the year were acting as an agent for Dictaphone Corporation and the provision of management services to other group undertakings. Dictaphone Corporation owns 99% of the shares of Dictaphone International Limited.

### **Business review**

The performance for the year and the Company's financial position at the year end were in line with the directors' expectations. On 31 May 2005 Dictaphone Corporation completed the signing of an agreement with NICE Systems Inc. under which NICE acquired the assets of the communication recording systems business. On 14 September 2005 Dictaphone Company Ltd completed the signing of an agreement with Dictaphone IVS AG, under which Dictaphone IVS AG acquired the assets of the integrated voice systems business. As part of the same transaction, Dictaphone Company Ltd acquired the healthcare business of Dictaphone IVS AG.

On the 31 March 2006 Nuance Communications Inc. and Dictaphone Corporation signed an agreement whereby Nuance Communications Inc. acquired Dictaphone Corporation. From this date, Nuance Communications Inc. became the ultimate parent company of Dictaphone International Limited.

### **Going concern**

The accounts have been prepared on the going concern basis as Nuance Communications Inc. has indicated its intention to provide continuing financial support and it will not call for repayments of amounts due to it without ensuring the Company has adequate funds to meet its obligations as they fall due.

The directors have received confirmation that Nuance Communications Inc. intends to support the company for at least one year after these financial statements are signed.

### **Results and dividends**

There was a profit for the year after taxation amounting to £556,711 (2005: £8,937,175). Last year's profit resulted from the exceptional item related to the waiver of the long term loan of £5,666,931 and the associated interest unpaid of £4,586,489 by Dictaphone Corporation.

### **Post balance sheet events**

As from 1 July 2007 Dictaphone International Limited signed a marketing support agreement with Nuance Communications International BVBA.

### **Directors**

The directors who held office during the year and up to the date of signing of the financial statements are

J Anthierens (appointed 07/09/2006)  
J R Arnold (appointed 31/03/06)  
T Ledwick (resigned 31/03/06)  
D McGraw (resigned 31/03/06)

E Rucinski (resigned 31/03/06)  
R G Schwager (resigned 31/03/06)  
G Smith (resigned 19/05/2008)  
S Miller (appointed on 19/05/2008)

# **DICTAPHONE INTERNATIONAL LIMITED**

## **DIRECTORS' REPORT**

For the year ended 31 DECEMBER 2006

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### **Statement of directors responsibilities**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and 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, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 1985. 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**

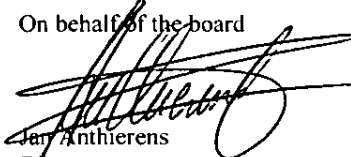
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

### **Statement of disclosure to auditor**

Each of the persons who is a director at the date of approval of this report confirms that

- (a) so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the board

  
Jan Anthierens  
Director  
5 September 2008

## DICTAPHONE INTERNATIONAL LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DICTAPHONE INTERNATIONAL LIMITED

We have audited the financial statements of Dictaphone International Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Accounting Policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
West London

5 September

2008

**DICTAPHONE INTERNATIONAL LIMITED****PROFIT AND LOSS ACCOUNT**

For the year ended 31 DECEMBER 2006

	Note	2006 £	2005 £
<b>Turnover – continuing operations</b>	1	<b>1,124,799</b>	2,438,881
Administrative expenses – continuing operations		(568,005)	(3,238,149)
Administrative expenses – discontinued operations	2	-	(215,904)
Exceptional item – other income	3	-	5,666 931
<b>Operating profit/(loss)</b>			
Continuing operations		<b>556,794</b>	4,867,663
Discontinued operations	2	-	(215,904)
		<b>556,794</b>	4,651,759
Loss on sale of discontinued operations	2	-	(34,568)
Interest receivable and similar income	6	-	17 642
Exceptional item – interest receivable	3	-	4,586,489
Interest payable and similar charges	5	(83)	(488 571)
<b>Profit on ordinary activities before taxation</b>	4	<b>556,711</b>	8,732,751
Tax credit on profit on ordinary activities	8	-	204,424
<b>Profit for the financial year</b>	14,15	<b>556,711</b>	8,937,175

There are no material differences between the profit/loss on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalent

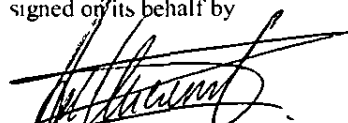
There were no recognised gains or losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented

# **DICTAPHONE INTERNATIONAL LIMITED**

## **BALANCE SHEET AS AT 31 DECEMBER 2006**

	Note	2006	2005
		£	£
<b>Fixed assets</b>			
Tangible assets	9	51,232	53,830
Investments	10	-	-
		<u>51,232</u>	<u>53,830</u>
<b>Current assets</b>			
Debtors	11	6,341,630	5,344,770
Cash at bank and in hand		47,868	221
		<u>6,389,498</u>	<u>5,344,991</u>
<b>Creditors' amounts falling due within one year</b>	12	<u>(8,167,177)</u>	<u>(7,681,979)</u>
<b>Net current liabilities</b>		<u>(1,777,679)</u>	<u>(2,336,988)</u>
<b>Total assets less current liabilities</b>		<u>(1,726,447)</u>	<u>(2,283,158)</u>
<b>Capital and reserves</b>			
Called up share capital	13	4,400,100	4,400,100
Profit and loss account	14	(6,126,547)	(6,683,258)
<b>Equity shareholders' deficit</b>	15	<u>(1,726,447)</u>	<u>(2,283,158)</u>

The financial statements on pages 6 to 16 were approved by the board of directors on 5 Sept. 2008 and were signed on its behalf by

  
 Jan Anthierens  
 Director



# **DICTAPHONE INTERNATIONAL LIMITED**

## **STATEMENT OF ACCOUNTING POLICIES**

For the year ended 31 DECEMBER 2006

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### **1. BASIS OF ACCOUNTING**

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 1985

The principal accounting policies of the Company are set out below. The policies have remained unchanged from the previous year.

The Company has taken advantage of the exemption in section 248 (1) of the Companies Act 1985 from the requirement to prepare consolidated financial statements, on the grounds that it is a small company.

The company has taken advantage of the exemption in FRS 1 'Cash flow statements (revised 1996)' from the requirement to present a cash flow statement on the grounds that it is a small company.

### **2. GOING CONCERN**

The accounts have been prepared on the going concern basis as Nuance Communications Inc. has indicated its intention to provide continuing financial support and it will not call for repayments of amounts due to it without ensuring the Company has adequate funds to meet its obligations as they fall due.

The directors have received confirmation that Nuance Communications Inc. intends to support the company for at least one year after these financial statements are signed.

### **3. TURNOVER**

Turnover comprises agency fees to related group companies for the provision of management services to other group undertakings and is stated net of VAT.

The related companies are Dictaphone (US) Corporation, Dictaphone Company Limited and Dictaphone Australia Pty.

### **4. INVESTMENTS**

Investments held as fixed assets are stated at cost less amounts written off. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

### **5. TANGIBLE FIXED ASSETS AND DEPRECIATION**

Fixed assets are recorded at cost. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful economic lives. The rates generally applicable are:

Plant and equipment	12½ - 33%
Short-term leasehold improvements	10%

# **DICTAPHONE INTERNATIONAL LIMITED**

## **STATEMENT OF ACCOUNTING POLICIES**

For the year ended 31 DECEMBER 2006

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### **6 DEFERRED TAXATION**

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date

### **7. FOREIGN CURRENCY**

Transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account

### **8. CONTRIBUTIONS TO PENSION SCHEMES**

#### ***Defined Benefit Scheme***

The Company participates in a defined benefit pension scheme for the benefit of the majority of its employees, the assets of which are held separately from those of the Company in independently administered funds. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution being determined by the actuary

The defined benefit scheme is operated for the benefit of employees of Dictaphone Company Limited and Dictaphone International Limited. The Company is unable to ascertain its own share of the assets and liabilities of the scheme. As such, the Company has applied the multiemployer exemption and has treated the scheme as defined contribution

The disclosures for the whole of the scheme required by FRS 17 are shown in note 17 to the financial statements

# DICTAPHONE INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2006

### 1 TURNOVER

Turnover by destination is analysed as follows

	2006 £	2005 £
Agency fees – Dictaphone Corporation (US)	406,799	1,380,881
Agency fees – United Kingdom	700,000	1,040,000
Agency fees – Rest of the world	18,000	18,000
	<u>1,124,799</u>	<u>2,438,881</u>

### 2 DISCONTINUED OPERATIONS

The discontinued operations in 2005 related to the sale of the recording systems business to Nice and the assets of the integrated voice systems business to Dictaphone IVS AG

### 3 EXCEPTIONAL ITEMS

No exceptional items occurred during the financial year 2006

The exceptional items in prior year related to Dictaphone Corporation waiving its loan of £5,666,931 and the associated unpaid interest of £4,586 489

### 4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging / (crediting)

	2006 £	2005 £
Auditors' remuneration – audit services	13,626	13,626
Depreciation of tangible fixed assets	11,239	30,220
Operating lease rentals	47,460	162,751
Foreign exchange (gain)/ loss	(561,723)	1,345,119
Loss on disposal of fixed assets	<u>-</u>	<u>5,659</u>

### 5 INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £	2005 £
Interest on intercompany loan	-	488,398
Other interest payable	83	173
	<u>83</u>	<u>488,571</u>

# DICTAPHONE INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2006

### 6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2006 £	2005 £
Preference dividend appropriated	-	17,500
Bank interest	-	142
	<u>-</u>	<u>17,642</u>

### 7 STAFF COSTS

Staff costs during the year were as follows

	2006 £	2005 £
Wages and salaries	472,925	895,524
Social security costs	65,630	82,043
Other pension costs (note 17)	286,122	116,322
	<u>824,677</u>	<u>1,093,889</u>

The average number of employees of the Company during the year was

	2006 No	2005 No
United Kingdom	7	16
Rest of the world	<u>1</u>	<u>1</u>
	<u>8</u>	<u>17</u>

No directors received remuneration from the Company (2005 none) This year all the directors are remunerated by the ultimate parent company, Nuance Communications Inc No director was a member of the defined benefit pension scheme in the year (2005 none)

### 8 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006 £	2005 £
UK corporation tax on profits of the period	-	(200,571)
Adjustments in respect of prior periods	-	(3,853)
Total current tax (credit)/charge	<u>-</u>	<u>(204,424)</u>
Origination and reversal of timing differences (note 16)	-	-
Total deferred tax charge	<u>-</u>	<u>-</u>
Tax (credit)/charge on profit on ordinary activities	<u>-</u>	<u>(204,424)</u>

# DICTAPHONE INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2006

### TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

#### Factors affecting tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30% (2005 30%) The differences are explained as follows

Profit on ordinary activities before tax	<u>556,711</u>	<u>8,732,751</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 30%)	<u>167,013</u>	<u>2,619,825</u>
Effect of		
Expenses not deductible for tax purposes	2,224	60,000
Depreciation in excess of capital allowances	(16,417)	49,110
Increase/ (utilisation) of tax losses	(152,820)	-
Group interest payable	-	146,520
Waiver of loan interest and capital	-	(3,076,026)
Adjustments to tax charge in respect of previous periods	-	(3,853)
	<u>-</u>	<u>(204,424)</u>

### 9 TANGIBLE ASSETS

	Short-term leasehold improvements £	Plant and equipment £	Total £
Cost			
At 1 January 2006	37,719	333,473	371,192
Additions	-	8,641	8,641
At 31 December 2006	<u>37,719</u>	<u>342,114</u>	<u>379,833</u>
Accumulated depreciation			
At 1 January 2006	2,148	315,214	317,362
Provided in the year	4,242	6,997	11,239
At 31 December 2006	<u>6,390</u>	<u>322,211</u>	<u>328,601</u>
Net book amount at 31 December 2006	<u>31,329</u>	<u>19,903</u>	<u>51,232</u>
Net book amount at 31 December 2005	<u>35,571</u>	<u>18,259</u>	<u>53,830</u>

# DICTAPHONE INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2006

### 10 INVESTMENTS

	2006 £	2005 £
Cost at 1 January and 31 December	<u>10,671,930</u>	<u>10,671,930</u>
Provision for impairment at 1 January	(10,671,930)	(10,471,930)
Impairment for the year	-	(200,000)
At 31 December	<u>(10,671,930)</u>	<u>(10,671,930)</u>
<b>Net book amount at 31 December</b>	<u>-</u>	<u>-</u>

The investment represents the cost of the entire share capital in Dictaphone Company Limited (80% ordinary shares and 20% preference shares) Dictaphone Company Limited is registered in England and Wales Its principal activity is the marketing and maintenance of integrated voice and data management solutions in the United Kingdom and, through branches, in the Republic of Ireland and Belgium

### 11 DEBTORS

	2006 £	2005 £
Amounts owed by group undertakings	5,891,604	4 873,430
Other debtors	11,980	6,635
Corporation tax refundable	200,571	200,000
Prepayments and accrued income	44,975	72,205
Non-equity dividends receivable	192,500	192,500
	<u>6,341,630</u>	<u>5,344,770</u>

Intercompany receivables are non-interest bearing and repayable on demand

### 12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Bank loans and overdrafts	-	7,922
Trade creditors	27,003	10,535
Amounts owed to group undertakings	8,104,598	7,565,872
Accruals and deferred income	35,576	97,650
	<u>8,167,177</u>	<u>7,681,979</u>

Intercompany payables are non-interest bearing and repayable on demand

# **DICTAPHONE INTERNATIONAL LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 2006

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### **13 CALLED UP SHARE CAPITAL**

	2006 £	2005 £
Authorised 4,400,100 (2005 4,400,100) ordinary shares of £1 each	<u>4,400,100</u>	<u>4,400,100</u>
Called up, allotted and fully paid 4,400,100 ordinary shares of £1 each	<u>4,400,100</u>	<u>4,400,100</u>

### **14 RESERVES**

	Profit and loss account £
At 1 January 2006	(6,683,258)
Profit for the year	556,711
At 31 December 2006	<u>(6,126,547)</u>

### **15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT**

	2006 £	2005 £
Profit for the financial year	556,711	8,937,175
Opening shareholders' deficit	(2,283,158)	(11 220 333)
Closing shareholders' deficit	<u>(1,726,447)</u>	<u>(2,283,158)</u>

# DICTAPHONE INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2006

### 16 DEFERRED TAXATION

Deferred tax provided in the financial statements is set out below

	2006 £	2005 £
Deferred tax asset at start of period	-	-
Deferred tax charge in profit and loss for the period	-	-
Deferred tax asset at end of period	-	-
Deferred tax not provided		
Accelerated capital allowances	(41,497)	(43,502)
Other timing differences	-	-
Capital losses	-	(44,531)
Tax losses carried forward	(259,095)	(475,973)
	<u>(300,592)</u>	<u>(564,006)</u>

No deferred tax asset has been provided on the tax losses carried forward and other timing differences as the recoverability of those tax losses cannot be determined with reasonable certainty. No account has been taken of timing differences arising on future transactions or of future tax losses.

### 17 PENSIONS

The Dictaphone Retirement and Death Benefits Plan is operated by Dictaphone Company Limited for the benefit of employees of Dictaphone Company Limited and Dictaphone International Limited. The scheme is a defined benefit scheme, the assets of which are held separately from those of the Company. The contributions paid by the company are accounted for as if the scheme were a defined contribution scheme (by applying the multiemployer exemption under FRS 17), as the company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. Therefore, the disclosures given are for the entire scheme.

The pension cost charged to the Company's profit and loss account during the year in respect of the scheme was £286,122 (2005: £116,322).

The pension cost for the scheme is assessed in accordance with the advice of a qualified independent actuary. The last formal actuarial valuation of the scheme was carried out at 1 May 2005 using the projected unit method. The principal assumptions adopted in this valuation were investment returns pre and post retirement of 5.9% and 5.3% respectively, inflation 2.8% and earnings growth 1% above inflation. The market value of the assets at the date of the valuation was £6.2m and the results of the valuation for funding purposes were that the assets were sufficient to cover 61% of the scheme's liabilities. The employer will contribute 25.7% of pensionable salaries to 1 May 2006. From 1 May 2006 onwards the employer will contribute 10.2% of pensionable salaries plus an amount of £859,900 per annum for five years. The employer will also pay the PPF levy and the Plan's running expenses.

The actuarial valuation as at 1 May 2005 was updated to 31 December 2006 by an independent qualified actuary for FRS 17 purposes. The disclosures that follow are for the whole of the scheme. As it is not necessary to carry out a detailed valuation each year, the actuary has projected the liabilities as at 31 December 2006 by projecting the position at the last actuarial funding valuation as at 1 May 2005 and adjusting for key items of experience and cessation of active membership. Apart from the cessation of active membership in 2007, we are not aware of any other significant events since the valuation that may have materially affected the company's obligations under the Scheme. As in 2007 no active participants are left no assumptions are made in compensation increase.



# **DICTAPHONE INTERNATIONAL LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 2006

### **PENSIONS (continued)**

The major assumptions used by the actuaries were

	2006	2005	2004
Rate of increase in pensionable salaries	4.10%	3.80%	3.75%
Rate of increase of pensions in payment –LPI 5%	3.10%	2.50%	2.75%
Rate of increase of pensions in payment –LPI 2.5%	2.50%	2.00%	n/a
Discount rate	5.10%	4.80%	5.30%
Inflation assumption	3.10%	2.80%	2.75%

The assets and liabilities in the scheme and the expected rate of return were

	2006	2005	2004
	£'000	£'000	£'000
Equities	7.00% 4,471	7.00% 4,242	7.00% 3,800
Bonds	5.10% 2,973	4.80% 2,785	5.30% 2,471
Property	n/a -	n/a -	n/a -
Cash	4.00% 217	4.00% -	4.75% 55
Total market value of assets	7,661	7,027	6,326
Actuarial value of liability	(11,094)	(11,401)	(9,700)
Recoverable deficit in the scheme	(3,433)	(4,374)	(3,374)
Related deferred tax asset	1,030	1,312	1,012
Net pension liability	(2,403)	(3,062)	(2,362)

The movement in the deficit during the year is analysed below

	2006	2005	2004
	£'000	£'000	£'000
Deficit in scheme at beginning of year	(4,374)	(3,374)	(3,152)
Movement in year			
Current year cost	(75)	(139)	(210)
Contributions	563	240	321
Curtailment	-	390	-
Net finance cost	(104)	(113)	(117)
Actuarial gain/ (loss)	557	(1,378)	(216)
Deficit in scheme at end of year	(3,433)	(4,374)	(3,374)

# DICTAPHONE INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2006

### PENSIONS (continued)

The pension cost that would have been charged to the profit and loss account is

	2006 £'000	2005 £'000	2004 £ 000
Current service cost	75	139	210
Curtailment	-	(390)	-
Total operating charge	<u>75</u>	<u>(251)</u>	<u>210</u>
Interest payable on pension scheme liabilities	538	508	493
Expected return on pension scheme assets	(434)	(395)	(376)
Net charge to financing costs	<u>104</u>	<u>113</u>	<u>117</u>
Total charge / (credit) that would have been included in profit on ordinary activities before taxation	<u>179</u>	<u>(138)</u>	<u>327</u>

As the scheme is closed to new entrants the current service cost will increase as the members approach retirement age

The amounts that would have been recognised in the Statement of total recognised gains and losses are

	2006 % of assets /liabilities	2006 £'000	2005 % of assets /liabilities	2005 £ 000	2004 % of assets /liabilities	2004 £ 000	2003 % of assets /liabilities	2003 £ 000	2002 £ 000	2002 £'000
Annual return less expected return on pension scheme assets	1	91	6	445	2	100	8	458	-36	(1,872)
Experience gains and losses on pension scheme liabilities	-	49	-4	(403)	-	41	4	383	10	856
Changes in assumptions underlying the present value of the scheme liabilities	-	417	4	(1,420)	4	(357)	7	(664)	5	(441)
Actuarial gain/(loss) that would have been recognised in the Statement of total recognised gains and losses	5	<u>557</u>	12	<u>(1,378)</u>	2	<u>(216)</u>	-2	<u>177</u>	17	<u>(1,457)</u>

### 18 LEASING COMMITMENTS

Operating lease payments amounting to £60,969 (2005 £61 392) are due within one year. The leases to which these amounts relate expire as follows

	2006 Other £	2006 Land and Buildings £	2005 Other £	2005 Land and Buildings £
In less than one year	2,589	58,380	-	49,302
Between two and five years	-	-	12,090	-
	<u>2,589</u>	<u>58,380</u>	<u>12,090</u>	<u>49,302</u>

## **DICTAPHONE INTERNATIONAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 2006

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#### **19 ULTIMATE PARENT UNDERTAKING**

At 31 December 2006, the immediate parent undertaking and controlling party was Dictaphone Corporation, a company incorporated in the USA. The only group to consolidate these financial statements was Dictaphone Corporation. The registered office of Dictaphone Corporation is 3191 Broadbridge Avenue, Stratford, Connecticut, USA.

On 31 March 2006, Dictaphone Corporation was acquired by Nuance Communications Inc. As a result of this acquisition the ultimate parent undertaking and controlling party is now Nuance Communications Inc., a company incorporated in the USA (1 Wayside Road, Burlington, MA01803, United States).

As the Company is wholly owned by the group, it has taken advantage of the exemption under Financial Reporting Standard No 8 'Related Party Disclosures' not to disclose transactions with other companies in the group.

#### **20 POST BALANCE SHEET EVENTS**

With effect from 1 July 2007, Dictaphone International Limited no longer works as an agent for Dictaphone Corporation. A new sales and marketing support agreement was signed on this date with Nuance Communications International BVBA, which allows Dictaphone Company Limited to charge a fee based on 107% on the operational expenses.