

Company Registration No. 03232899 (England and Wales)

MMODAL LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018



MMODAL LIMITED

COMPANY INFORMATION

Directors	Ms S Semerciyan Mr S F Evans	(Appointed 1 February 2019) (Appointed 1 February 2019)
Secretary	Mr I R Brown	
Company number	03232899	
Registered office	3M Centre Cain Road Bracknell RG12 8HT	
Auditor	Kendall Wadley LLP Granta Lodge 71 Graham Road Malvern Worcestershire WR14 2JS	
Bankers	HSBC Bank plc 1 Church Street Malvern Worcestershire WR14 2AB	

MMODAL LIMITED

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MMODAL LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the strategic report for the year ended 31 December 2018.

Fair review of the business

Mmodal Limited writes and maintains computer software for UK and US hospitals. This is a technology driven environment where clients seek to maximise the value of the investment made in electronic healthcare services by integrating diverse systems, reducing costs, and improving accuracy through automation. Our suite of clinical documentation products, "Fluency One" was developed specifically for this market and integrates clinical documentation created by dictation, automatic speech recognition, or automated templates, into other medical systems. Security, patient confidentiality, and data protection are the core of everything we do, the group therefore continue to implement the international data security standard "ISO27001" across its worldwide operations.

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect continued profitability for the foreseeable future.

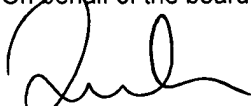
Development and performance

The company was purchased by the parent group in 2001 and for 17 years has successfully delivered core software for the groups "Fluency One" platform. Its software and typing service is used by approximately 2,500 medical facilities across the USA, and also in Canada, Australia and the UK. Our group strategy assumes continued growth and development of the product, and MModal Limited will support that goal by continuing to employ skilled software engineers in the UK for the foreseeable future. In addition we will build on the commitment already made to the UK market by seeking to increase the number of NHS Trusts using the Fluency One platform, made possible by the growing use of electronic patient records, automatic speech recognition, and integration within the NHS.

The company was purchased on 1 February 2019 by 3M which will see the integration of MModal into 3M systems and processes. The directors do not expect there to be any significant changes in strategic direction.

The company expects to receive the continued support of its parent company for the foreseeable future.

On behalf of the board



Ms S Semerciyan

Director

4 September 2019

MMODAL LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and financial statements for the year ended 31 December 2018.

Principal activities

The principal activity of the company continues to be the provision of Internet based technology solutions to the US medical industry. MModal technology supports the management of medical dictations and documents, and provides an interface with automatic speech recognition applications. The same technology solution is also used in the UK by several NHS Trusts, and by companies in the finance industry.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr P Surrall	(Resigned 1 February 2019)
K K Joshi	(Resigned 1 February 2019)
Ms S Semerciyan	(Appointed 1 February 2019)
Mr S F Evans	(Appointed 1 February 2019)

Results and dividends

The results for the year are set out on page 6.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Auditor

Kendall Wadley LLP, were appointed auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the director has taken all the necessary steps that he ought to have taken as director in order to make himself aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



Ms S Semerciyan

Director

4 September 2019

MMODAL LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

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). 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 of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

MMODAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MMODAL LIMITED

Opinion

We have audited the financial statements of MModal Limited (the 'company') for the year ended 31 December 2018 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

MMODAL LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF MMODAL LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Elizabeth Needham ACA CTA (VAT) (Senior Statutory Auditor)
for and on behalf of Kendall Wadley LLP

4 September 2019

**Chartered Accountants
Statutory Auditor**

Granta Lodge
71 Graham Road
Malvern
Worcestershire
WR14 2JS

MMODAL LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Turnover	3	3,625,208	2,777,143
Cost of sales		(2,605,192)	(2,062,737)
Gross profit		1,020,016	714,406
Administrative expenses		(553,578)	(1,058,868)
Operating profit/(loss)	4	466,438	(344,462)
Interest receivable and similar income	7	130,154	58,497
Profit/(loss) before taxation		596,592	(285,965)
Tax on profit/(loss)	8	(705,338)	53,152
Loss for the financial year		(108,746)	(232,813)

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

MMODAL LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018 £	£	2017 £	£
Fixed assets					
Tangible assets	9		358,198		207,535
Current assets					
Stocks	11	-		814	
Debtors	12	7,048,397		5,383,767	
Cash at bank and in hand		306,483		270,410	
		<u>7,354,880</u>		<u>5,654,991</u>	
Creditors: amounts falling due within one year	13	<u>(876,493)</u>		<u>(394,599)</u>	
Net current assets			<u>6,478,387</u>		<u>5,260,392</u>
Total assets less current liabilities			<u>6,836,585</u>		<u>5,467,927</u>
Creditors: amounts falling due after more than one year	14		<u>(1,477,404)</u>		<u>-</u>
Net assets			<u><u>5,359,181</u></u>		<u><u>5,467,927</u></u>
Capital and reserves					
Called up share capital	17		344,597		344,597
Share premium account			3,890,270		3,890,270
Profit and loss reserves			<u>1,124,314</u>		<u>1,233,060</u>
Total equity			<u><u>5,359,181</u></u>		<u><u>5,467,927</u></u>

The financial statements were approved by the board of directors and authorised for issue on 4 September 2019 and are signed on its behalf by:



Ms S Semerciyan
Director

Company Registration No. 03232899

MMODAL LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 January 2017	344,597	3,890,270	1,465,873	5,700,740
Year ended 31 December 2017:				
Loss and total comprehensive income for the year	-	-	(232,813)	(232,813)
Balance at 31 December 2017	344,597	3,890,270	1,233,060	5,467,927
Year ended 31 December 2018:				
Loss and total comprehensive income for the year	-	-	(108,746)	(108,746)
Balance at 31 December 2018	344,597	3,890,270	1,124,314	5,359,181

MMODAL LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	£	2017 £	£
Cash flows from operating activities					
Cash generated from operations	21	230,728		265,833	
Income taxes paid		(83,766)		-	
Net cash inflow from operating activities		146,962		265,833	
Investing activities					
Purchase of tangible fixed assets		(241,043)		(70,665)	
Interest received		130,154		58,497	
Net cash used in investing activities		(110,889)		(12,168)	
Net increase in cash and cash equivalents		36,073		253,665	
Cash and cash equivalents at beginning of year		270,410		16,745	
Cash and cash equivalents at end of year		306,483		270,410	

MMODAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

MModal Limited is a private company limited by shares incorporated in England and Wales. The registered office is 3M Centre, Cain Road, Bracknell, RG12 8HT.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

The directors considers that it is appropriate to prepare the financial statements on a going concern basis as the parent company has undertaken to provide financial support for the foreseeable future, to enable the company to meet its liabilities as they fall due.

1.3 Turnover

Turnover represents amounts receivable for services provided less value added taxation or other sales related local taxation. Revenue from dictation processing services is recognised at the point the services are provided to the customer. Training fees are recognised on a straight-line basis over the initial period of the customer service agreement, and engineering fees are recognised on acceptance of the work by the customer.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold property improvements	period of lease
Office equipment	33% on cost
Computer equipment	33% on cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

MMODAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Cash at bank and in hand

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

MMODAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

MMODAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.9 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

1.10 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

MMODAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.11 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.12 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2018 £	2017 £
Turnover analysed by class of business		
Provision of services	3,625,208	2,777,143
	<u>3,625,208</u>	<u>2,777,143</u>
	2018 £	2017 £
Other significant revenue		
Interest income	130,154	58,497
	<u>130,154</u>	<u>58,497</u>
	2018 £	2017 £
Turnover analysed by geographical market		
United Kingdom of Great Britain & Northern Ireland	968,203	65,813
United States of America	2,657,005	2,711,330
	<u>3,625,208</u>	<u>2,777,143</u>

MMODAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

4 Operating profit/(loss)

	2018	2017
	£	£
Operating profit/(loss) for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(348,364)	461,981
Fees payable to the company's auditor for the audit of the company's financial statements	2,590	2,840
Depreciation of owned tangible fixed assets	90,382	61,788
Cost of stocks recognised as an expense	56,357	13,244
Operating lease charges	48,612	48,797
	<u> </u>	<u> </u>

5 Directors' remuneration

	2018	2017
	£	£
Remuneration for qualifying services	81,118	76,470
	<u> </u>	<u> </u>

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2018	2017
	Number	Number
Management and administration	1	1
Computer engineering and operations	45	37
	<u> </u>	<u> </u>
	46	38
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2018	2017
	£	£
Wages and salaries	2,274,947	1,874,206
Social security costs	256,252	160,403
Pension costs	100,934	86,004
	<u> </u>	<u> </u>
	2,632,133	2,120,613
	<u> </u>	<u> </u>

7 Interest receivable and similar income

	2018	2017
	£	£
Interest income		
Interest receivable from parent undertaking	130,154	58,497
	<u> </u>	<u> </u>

MMODAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

8 Taxation

	2018 £	2017 £
Current tax		
Adjustments in respect of prior periods	(66,859)	(18,576)
Deferred tax		
Origination and reversal of timing differences	101,562	(34,576)
Changes in tax rates	83,763	-
Write down or reversal of write down of deferred tax asset	547,087	-
Adjustment in respect of prior periods	39,785	-
Total deferred tax	772,197	(34,576)
Total tax charge	705,338	(53,152)

The actual charge/(credit) for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	2018 £	2017 £
Profit/(loss) before taxation	596,592	(285,965)
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	113,352	(55,048)
Tax effect of utilisation of tax losses not previously recognised	-	54,888
Adjustments in respect of prior years	(66,859)	(18,576)
Effect of change in corporation tax rate	71,815	-
Depreciation on assets not qualifying for tax allowances	82	83
Other permanent differences	76	77
Deferred tax adjustments in respect of prior years	39,785	-
Write down deferred tax asset	547,087	-
Over provision deferred tax	-	(34,576)
Tax expense for the year	705,338	(53,152)

MMODAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

9 Tangible fixed assets

	Leasehold property improvements	Office equipment	Computer equipment	Total
	£	£	£	£
Cost				
At 1 January 2018	107,389	25,178	342,785	475,352
Additions	2,536	3,800	234,710	241,046
Disposals	(6,293)	(905)	(23,222)	(30,420)
At 31 December 2018	103,632	28,073	554,273	685,978
Depreciation and impairment				
At 1 January 2018	87,872	24,809	155,137	267,818
Depreciation charged in the year	7,238	1,390	81,754	90,382
Eliminated in respect of disposals	(6,293)	(905)	(23,222)	(30,420)
At 31 December 2018	88,817	25,294	213,669	327,780
Carrying amount				
At 31 December 2018	14,815	2,779	340,604	358,198
At 31 December 2017	19,517	369	187,649	207,535

10 Financial instruments

	2018 £	2017 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	6,867,739	4,514,675
Carrying amount of financial liabilities		
Measured at amortised cost	799,334	233,126

11 Stocks

	2018 £	2017 £
Finished goods and goods for resale	-	814

MMODAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

12 Debtors

	2018	2017
	£	£
Amounts falling due within one year:		
Trade debtors	212,749	22,458
Corporation tax recoverable	69,201	-
Amounts owed by group undertakings	6,654,990	4,492,217
Other debtors	24,623	-
Prepayments and accrued income	23,497	33,558
	<u>6,985,060</u>	<u>4,548,233</u>
Deferred tax asset (note 15)	63,337	835,534
	<u>7,048,397</u>	<u>5,383,767</u>

Trade debtors disclosed above are measured at amortised cost.

The deferred tax asset at 31 December 2017 was predominately derived from the calculated corporation tax credit available on losses previously incurred by the company. The directors do not foresee the losses being recovered in the immediate future and have impaired the asset. Having due regard to future projections the directors estimate that the remaining asset shown above (2017 - £700,000) will be realised after more than 12 months.

13 Creditors: amounts falling due within one year

	2018	2017
	£	£
Trade creditors	12,555	9,082
Corporation tax	-	81,424
Other taxation and social security	77,159	80,049
Accruals and deferred income	786,779	224,044
	<u>876,493</u>	<u>394,599</u>

14 Creditors: amounts falling due after more than one year

	2018	2017
	£	£
Deferred income	<u>1,477,404</u>	<u>-</u>

MMODAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

15 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Assets 2018 £	Assets 2017 £
Balances:		
Accelerated Capital Allowances	63,337	77,356
Tax losses	-	758,178
	<u>63,337</u>	<u>835,534</u>
		2018
Movements in the year:		£
Asset at 1 January 2018		(835,534)
Charge to profit or loss		101,562
Effect of change in tax rate		83,763
Other		586,872
Asset at 31 December 2018		<u>(63,337)</u>

16 Retirement benefit schemes

	2018 £	2017 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>100,934</u>	<u>86,004</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

17 Share capital

	2018 £	2017 £
Ordinary share capital		
Issued and fully paid		
17,229,868 Ordinary of 2p each	<u>344,597</u>	<u>344,597</u>
	<u>344,597</u>	<u>344,597</u>

MMODAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

18 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £	2017 £
Within one year	48,612	48,612
Between two and five years	13,377	61,989
	<u>61,989</u>	<u>110,601</u>

MMODAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

19 Related party transactions

During the year the company derived income of £2,657,005 (2017 £2,711,330) from services provided to the parent company, M*Modal LLC. The company also received services from M*Modal LLC., of £7,529 (2017 £15,511).

The company received interest from the parent company, M*Modal LLC. of £130,154 (2017 £58,497).

The company paid no dividend to the parent company during the year (2017 nil).

The loan balance outstanding from the parent company, M*Modal LLC., at the year end was £6,645,990 (2017 £4,492,217).

20 Controlling party

At 31 December 2018 the company was a subsidiary undertaking of the immediate controlling party, M*Modal LLC., a company incorporated in the USA. On 1 February 2019 the M*Modal technology business was acquired by 3M Company. This is now the ultimate controlling company and is incorporated in the USA at 3M Centre, Buildings 225-SN-04 St Paul, MN 55144-1000.

21 Cash generated from operations

	2018 £	2017 £
Loss for the year after tax	(108,746)	(232,813)
Adjustments for:		
Taxation charged/(credited)	705,338	(53,152)
Investment income	(130,154)	(58,497)
Depreciation and impairment of tangible fixed assets	90,382	61,788
Movements in working capital:		
Decrease in stocks	814	950
(Increase)/decrease in debtors	(2,343,005)	312,552
Increase in creditors	538,695	235,005
Increase in deferred income	1,477,404	-
Cash generated from operations	230,728	265,833