

DR FOSTER LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 18 MONTHS ENDED 30 JUNE 2016**

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DR FOSTER LIMITED

COMPANY INFORMATION

Directors M Gould (appointed 25 March 2015)
L Yeoh (appointed 25 March 2015)
T Homer (appointed 24 August 2016)
W Liubinskas (appointed 24 August 2016)

Company secretary M Gould

Registered number 03812015

Registered office 2nd Floor,
Blue Fin Building
110 Southwark Street
London
SE1 0TA

Independent auditors Ernst & Young LLP
1 More London Place
London
SE1 2AF

DR FOSTER LIMITED

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DR FOSTER LIMITED

STRATEGIC REPORT FOR THE 18 MONTHS ENDED 30 JUNE 2016

Introduction

Dr Foster Limited is a London-based provider of clinical benchmarking, analytics, insight and quality improvement services to hospitals and other healthcare organisations. The business works with healthcare organisations to achieve sustainable improvements in their performance through better use of data. The business model is B2B, with sales direct to Hospital Trusts (who provide healthcare) and CCGs (who buy healthcare from providers on behalf of defined populations).

The core capability to Dr Foster Limited involves taking hospital / commissioner / patient level data, analysing it and delivering risk adjusted outcome measures and comparative analysis. This supports healthcare organisations in achieving sustainable improvements in their performance through better use of data.

During the period, Dr Foster Limited employed an average of 90 employees, including statisticians, software engineers, account managers and support staff.

The business operations can be divided into three key areas of operation:

- Core UK Tools
- CCG Commissioning, and:
- International

Review of the business

	18 months ended 30 June 2016	12 months ended 31 December 2014	Change %
	£	£	
Turnover	14,031,830	9,738,614	44%
Operating loss	(1,369,112)	(1,232,041)	(11)%
Current assets as a % of current liabilities	183%	205%	(22)%
Average number of employees	90	99	(9)%

Turnover increased by 44% largely due to a longer trading period (18 months in 2016 vs 12 months in 2014). The business continued performing well in the domestic markets though international expansion was slower than anticipated. The business also entered a new market in the UK – CCG Commissioning. Dr Foster is a member of the eMBED Health Consortium that bids for commissioning support contracts put up for competitive tender by the CCGs, as well as other opportunities. Dr Foster's role is to provide the business intelligence (software and/or data) portion of the contracts. The contracts are often for multiple CCGs, with the current contract at Yorkshire & Humber comprising 23 CCGs, of which Dr Foster is providing BI services to 20 of the CCGs.

The operating loss expanded during the period by 11%. This was largely due to one of costs and the longer trading period.

DR FOSTER LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE 18 MONTHS ENDED 30 JUNE 2016

Principal risks and uncertainties

The principal risks and uncertainties facing the group are broadly grouped as – competitive, legislative and financial

Competitive Risks

In the UK, for UK tools, the company is reliant on the supply of national datasets provided by NHS Digital. The customers are all NHS bodies and renewals are reliant on continuing to provide a good service.

Legislative Risks

Excellence in information governance is at the heart of what Dr Foster does. The business has a legal and ethical responsibility to handle confidential and sensitive information carefully and securely, and the business is fully committed to doing that in a way that maximises its utility while preventing unauthorised or inappropriate use or disclosure. Dr Foster is respectful of the nature of the data the business works with, where it comes from and what it means for individuals and organisations.

Dr Foster has long-term knowledge and experience in handling confidential patient-level NHS data and operates under a range of UK and European Laws, associated codes of practice and international standards. The business meets all of the requirements set out by the NHS Information Governance Toolkit and the United Kingdom Data Protection Act 1998, and is ISO27001 accredited.

Financial Risks

The company has established a risk and financial management framework whose primary objectives are to protect the company from events that hinder the achievement of its performance objectives.

The objectives aim to limit undue counterparty exposure, ensure that sufficient working capital exists and the monitor the management of risk.

Exposure to credit, liquidity and cash flow risk

The principal credit risk arises from trade debtors which are primarily public sector bodies consequently with a sovereign credit rating.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by managing cash generation through application of cash collection targets.

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as future interest payments on a variable rate debt. The Company has very limited exposure and consequently limited risk.

This report was approved by the board on *31 March 2017* and signed on its behalf.



L Yeoh
Director

DR FOSTER LIMITED

DIRECTORS' REPORT FOR THE 18 MONTHS ENDED 30 JUNE 2016

The directors present their report and the financial statements for the 18 months ended 30 June 2016. The company has changed its financial year end from 31 December to 30 June. Accordingly the current financial period covers the period of eighteen months from 1 January 2015 to 30 June 2016.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice and (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS102). 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its members in writing about the use of disclosure exemptions of FRS 102 used in the preparation of the financial statements; and
- 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' Reports may differ from legislation in other jurisdictions.

Principal activity

The company is the UK's leading independent health service information provider. It collects and analyses large datasets to create accessible information products for doctors, managers and the general public. The company also provides closely related research, marketing and bespoke analytical services.

Results and dividends

The loss for the 18 months, after taxation, amounted to £1,111,039 (2014 - loss £678,925).

The directors do not recommend the payment of a dividend for the period (2014 - £nil).

DR FOSTER LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE 18 MONTHS ENDED 30 JUNE 2016**

Directors

The directors who served during the 18 months ended 30 June 2016 and upto the date of signing of the financial statements:

R Taylor (resigned 26 March 2015)
T Baker (resigned 26 March 2015)
M Gould (appointed 25 March 2015)
L Yeoh (appointed 25 March 2015)
T Homer (appointed 24 August 2016)
W Liubinskas (appointed 24 August 2016)

Going Concern

The company has been a provider of Health Information services and will continue to provide these services during the course of the following year. The Company has considerable financial resources together with long term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Additionally, the Company has received a letter of parental support from Telstra Corporation Limited, its ultimate parent company, which confirms that Telstra Corporation Limited will continue to provide financial support to the Company for a period of twelve months from the signing of the Auditor's Report in the financial statements.

Disclosure of information to auditors

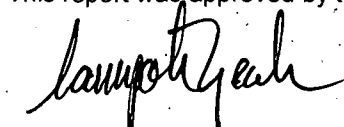
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the 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's auditors are aware of that information.

Auditors

Grant Thornton UK LLP resigned as auditor on 25 August 2016 and Ernst & Young LLP were appointed in their place. Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 31 March 2017 and signed on its behalf.



L Yeoh
Director

DR FOSTER LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DR FOSTER LIMITED

We have audited the financial statements of Dr Foster Limited for the 18 months ended 30 June 2016, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is the 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'.

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2016 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

DR FOSTER LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DR FOSTER 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Neil Cullum (Senior statutory auditor)

for and on behalf of
Ernst & Young LLP

Statutory Auditor

London

Date:

31/3/2017

DR FOSTER LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE 18 MONTHS ENDED 30 JUNE 2016**


	Note	18 months ended 30 June 2016 £	12 months 31 December 2014 £
Turnover	4	14,031,830	9,738,614
Operating charges		(5,367,561)	(4,454,036)
Staff costs	6	(9,717,884)	(6,253,251)
Depreciation		(315,497)	(263,368)
Operating loss	5	(1,369,112)	(1,232,041)
Interest receivable and similar income	8	17,658	14,509
Loss before tax		(1,351,454)	(1,217,532)
Taxation	9	240,415	538,607
Loss for the period/year		(1,111,039)	(678,925)
Total comprehensive loss for the period/year		(1,111,039)	(678,925)

DR FOSTER LIMITED
REGISTERED NUMBER:03812015

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

		30 June 2016 £	31 December 2014 £
	Note		
Fixed assets			
Intangible assets	10	258,984	-
Tangible assets	11	258,608	525,150
		<u>517,592</u>	<u>525,150</u>
Current assets			
Debtors: amounts falling due within one year	12	8,551,515	6,794,943
Cash at bank	14	884,234	3,920,136
		<u>9,435,749</u>	<u>10,715,079</u>
Creditors: amounts falling due within one year	15	(5,148,598)	(5,233,729)
Net current assets		<u>4,287,151</u>	<u>5,481,350</u>
Total assets less current liabilities		<u>4,804,743</u>	<u>6,006,500</u>
Creditors: amounts falling due after more than one year	16	(94,747)	(188,579)
Net assets		<u><u>4,709,996</u></u>	<u><u>5,817,921</u></u>
Capital and reserves			
Called up share capital	17	2,548	2,548
Share premium account	18	4,572,008	4,568,894
Capital redemption reserve	18	341,172	341,172
Profit and loss account	18	(205,732)	905,307
		<u><u>4,709,996</u></u>	<u><u>5,817,921</u></u>

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



L Yeoh
Director

The notes on pages 10 to 25 form part of these financial statements.

DR FOSTER LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE 18 MONTHS ENDED 30 JUNE 2016**

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 January 2014	2,548	4,568,894	341,172	1,613,262	6,525,876
Total comprehensive loss for the year	-	-	-	(678,925)	(678,925)
Equity settled share based payments	-	-	-	(29,030)	(29,030)
At 1 January 2015	2,548	4,568,894	341,172	905,307	5,817,921
Total comprehensive loss for the period	-	-	-	(1,111,039)	(1,111,039)
Shares based payments	-	3,114	-	-	3,114
At 30 June 2016	2,548	4,572,008	341,172	(205,732)	4,709,996

DR FOSTER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 18 MONTHS ENDED 30 JUNE 2016

1. General information and principal activity

Dr Foster Limited is the UK's leading independent health service information provider. It collects and analyses large datasets to create accessible information products for doctors, managers and the general public. The company also provides closely related research, marketing and bespoke analytical services. The company is a private company limited by shares and is incorporated in England. The address of its registered office is disclosed on the company information page.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland (FRS 102) and the Companies Act 2006.

The company transitioned from previous UK GAAP with effect from 1 January 2014. Information on the impact of first time adoption of FRS 102 is given in note 22.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Dr Foster Limited's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Consolidated financial statements

The company is a wholly owned subsidiary of Dr Foster Intelligence Limited and of its ultimate parent, Telstra Corporation Limited. It is included in the consolidated financial statements of Telstra Corporation Limited. Therefore the company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are the company's separate financial statements.

DR FOSTER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTHS ENDED 30 JUNE 2016**

2. Accounting policies (continued)

2.3 Exemptions for qualifying entities under FRS 102

The company has taken advantage of the following exemptions on the basis that the equivalent disclosures are included in the consolidated financial statements of the group in which the company is consolidated:

a) Cash flow statement

Under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Telstra Corporation Limited, includes the company's cash flows in its own consolidated financial statements.

b) Financial instruments

Under FRS 102 paragraphs 11.39 to 11.48A, 12.26 to 12.2 of certain financial instrument disclosures.

c) Share based payments

Under FRS 102 paragraphs 26.18(b), 26.19 to 26.21 and 26.23, the company can be exempt from certain disclosure requirements of Section 26 in respect of share based payments on the basis that the share based payment concerns equity instruments of another group entity, which is Dr Foster Intelligence Limited

d) Related Party Transactions

Under FRS 102 paragraphs 33.1(a) the company can be exempt from disclosure of transactions entered into between two or more members of a group provided that any subsidiary which is part to the transaction is wholly owned by such member.

The company may take advantage of the disclosure exemptions on the basis that:

- (i) its shareholders have been notified and have not objected to the use of the exemptions;
- (ii) it otherwise applies the recognition, measurement and disclosure requirements of FRS 102;
- (iii) it is disclosed in the notes to its financial statements a brief summary of the disclosure exemptions adopted and the name of the parent of the group in whose consolidated accounts its financial statements are adopted and from where those financial statements may be obtained.

DR FOSTER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 18 MONTHS ENDED 30 JUNE 2016

2. Accounting policies (continued)

2.4 Going Concern

The company has been a provider of Health Information services and will continue to provide these services during the course of the following year. The Company has considerable financial resources together with long term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Additionally, the Company has received a letter of parental support from Telstra Corporation Limited, its ultimate parent company, which confirms that Telstra Corporation Limited will continue to provide financial support to the Company for a period of twelve months from the signing of the Auditor's Report in the financial statements.

2.5 Revenue

Turnover represents the amounts (exclusive of VAT) derived from the provision of services to customers in the period.

Income derived from the provision of management information is recognised over the period of the contract on a straight line basis. Income derived from other activities is recognised to the extent that identifiable work has been performed in relation to each contract in the period and a right to consideration obtained.

2.6 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives range as follows:

Development expenditure	-	4	years
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DR FOSTER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTHS ENDED 30 JUNE 2016**

2. Accounting policies (continued)

2.7 Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

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.

The estimated useful lives range as follows:

Leasehold improvements	- straight line over the period of the lease
Fixtures and fittings	- straight line over 10 years
Computer equipment	- straight line over 3 years

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 Statement of Comprehensive Income.

2.8 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.

2.9 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is pounds sterling.

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 Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

DR FOSTER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 18 MONTHS ENDED 30 JUNE 2016

2. Accounting policies (continued)

2.10 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 Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position 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.

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 Company 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 Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of Comprehensive Income is charged with fair value of goods and services received.

2.11 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.12 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

DR FOSTER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 18 MONTHS ENDED 30 JUNE 2016

2. Accounting policies (continued)

2.13 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

2.14 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.15 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge 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 reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.16 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which is 4 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

DR FOSTER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTHS ENDED 30 JUNE 2016

3. Judgments and key sources of estimation uncertainty

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

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 13.

4. Turnover

The whole of the turnover is attributable to the one principal activity of the company.

Analysis of turnover by country of destination:

	18 months ended 30 June 2016 £	12 months ended 31 December 2014 £
United Kingdom	11,703,215	7,385,954
Rest of Europe	498,662	388,992
Rest of the world	1,829,953	1,963,668
	<u>14,031,830</u>	<u>9,738,614</u>

5. Operating loss

The operating loss is stated after charging:

	18 months ended 30 June 2016 £	12 months ended 31 December 2014 £
Depreciation of tangible fixed assets	315,497	263,368
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	36,000	27,750
- Audit related services	8,000	-
Exchange differences	118,756	3,150
Operating lease - plant & machinery	4,694	17,751
Operating lease - other	441,844	296,049
	<u></u>	<u></u>

DR FOSTER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTHS ENDED 30 JUNE 2016**

6. Staff costs

Staff costs were as follows:

	18 months ended 30 June 2016 £	<i>12 months ended 31 December 2014 £</i>
Wages and salaries	8,543,655	5,546,093
Social security costs	956,888	674,678
Cost of defined contribution scheme	217,341	32,479
	<u>9,717,884</u>	<u>6,253,250</u>

The average monthly number of employees, including the directors, during the 18 months was as follows:

	18 months ended 30 June 2016 No.	<i>12 months ended 31 December 2014 No.</i>
Management & administration	<u>90</u>	<u>99</u>

DR FOSTER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTHS ENDED 30 JUNE 2016**

7. Directors' remuneration

	18 months ended 30 June 2016 £	<i>12 months ended 31 December 2014 £</i>
Directors' remuneration	221,623	291,724
Directors compensation for loss of office	156,818	-
	<u>378,441</u>	<u>291,724</u>

The highest paid director received remuneration, which includes compensation for loss of office of £354,851 (2014 - £156,818).

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

Directors were remunerated by other companies in the Telstra Group.

In the opinion of the directors, it is not practicable to apportion their remuneration between qualifying services provided to the Company and services provided to other companies in the Telstra Group.

8. Interest receivable

	18 months ended 30 June 2016 £	<i>12 months 31 December 2014 £</i>
Other interest receivable	<u>17,658</u>	<u>14,509</u>

DR FOSTER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTHS ENDED 30 JUNE 2016**

9. Taxation

	18 months ended 30 June 2016 £	12 months ended 31 December 2014 £
Corporation tax		
Adjustments in respect of prior periods	-	(14,212)
Total current tax	<u>-</u>	<u>(14,212)</u>
Deferred tax (note 13)		
Origination and reversal of timing differences	(240,415)	(524,395)
Total deferred tax	<u>(240,415)</u>	<u>(524,395)</u>
Taxation	<u>(240,415)</u>	<u>(538,607)</u>

Factors affecting tax charge for the 18 months/year

The tax assessed for the 18 months/year is lower than (2014 - lower than) the standard rate of corporation tax in the UK of 20.17% (2014 - 21.5%). The differences are explained below:

	18 months ended 30 June 2016 £	12 months ended 31 December 2014 £
Loss on ordinary activities before tax	(1,351,454)	(1,217,532)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.17% (2014 - 21.5%)	(272,588)	(261,648)
Effects of:		
Expenses not deductible for tax purposes	10,913	2,304
Capital allowances for 18 months/year in excess of depreciation	35,705	13,292
Adjustments to tax charge in respect of prior periods	-	(14,212)
Unrelieved tax losses carried forward	-	(294,290)
Other differences leading to an increase (decrease) in the tax charge	(14,445)	15,947
Total tax charge for the period/year	<u>(240,415)</u>	<u>(538,607)</u>

DR FOSTER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTHS ENDED 30 JUNE 2016**

9. Taxation (continued)

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 20% to 19% will take effect from 1 April 2017. A further reduction from 19% to 17% will start from 1 April 2020.

10. Intangible assets

	Develop- ment £	Product develop- ment in progress £	Total £
Cost			
At 1 January 2015	6,490,244	-	6,490,244
Additions	-	258,984	258,984
At 30 June 2016	6,490,244	258,984	6,749,228
Amortisation			
At 1 January 2015	6,490,244	-	6,490,244
At 30 June 2016	6,490,244	-	6,490,244
Net book value			
At 30 June 2016	-	258,984	258,984
<i>At 31 December 2014</i>	-	-	-

DR FOSTER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTHS ENDED 30 JUNE 2016**

11. Tangible fixed assets

	Leasehold improve- ment £	Fixtures & fittings £	Computer equipment £	Total £
Cost				
At 1 January 2015	522,104	159,451	478,513	1,160,068
Additions	-	2,490	46,465	48,955
At 30 June 2016	522,104	161,941	524,978	1,209,023
Depreciation				
At 1 January 2015	159,283	107,342	368,293	634,918
Charge for the period on owned assets	156,625	30,064	128,808	315,497
At 30 June 2016	315,908	137,406	497,101	950,415
Net book value				
At 30 June 2016	206,196	24,535	27,877	258,608
At 31 December 2014	362,821	52,109	110,220	525,150

12. Debtors

	30 June 2016 £	31 December 2014 £
Trade debtors	1,810,617	1,485,392
Amounts owed by group undertakings	4,511,159	3,779,001
Other debtors	189,672	195,814
Prepayments and accrued income	885,936	421,020
Deferred taxation	1,154,131	913,716
	8,551,515	6,794,943

Included in amounts owed by group undertakings is a loan balance of £3,782,606 (2014 - £3,779,001) due from Dr Foster Intelligence Limited, the company's immediate parent undertaking. This loan is interest free and is repayable on demand.

DR FOSTER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTHS ENDED 30 JUNE 2016**

13. Deferred taxation

	30 June 2016 £	<i>31 December 2014 £</i>
At beginning of year	913,716	389,321
Credited to statement of comprehensive income	240,415	524,395
At end of year	1,154,131	913,716

The deferred tax asset is made up as follows:

	30 June 2016 £	<i>31 December 2014 £</i>
Accelerated capital allowances	48,755	13,351
Tax losses carried forward	1,091,539	886,528
Other timing difference	13,837	13,837
	1,154,131	913,716

14. Cash at bank

	30 June 2016 £	<i>31 December 2014 £</i>
Cash at bank	884,234	3,920,136

DR FOSTER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTHS ENDED 30 JUNE 2016**

15. Creditors: Amounts falling due within one year

	30 June 2016 £	31 December 2014 £
Trade creditors	672,442	429,829
Amounts owed to group undertakings	448,599	455,357
Other taxation and social security	342,862	225,311
Other creditors	32,906	32,502
Accruals and deferred income	3,651,789	4,090,730
	<u>5,148,598</u>	<u>5,233,729</u>

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

	30 June 2016 £	31 December 2014 £
Accruals and deferred income	94,747	188,579
	<u>94,747</u>	<u>188,579</u>

17. Share capital

	30 June 2016 £	31 December 2014 £
Shares classified as equity		
Authorised		
1,000,000 Ordinary shares of £0.01 each	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid		
254,835 (2014 - 254,835) Ordinary shares of £0.01 each	<u>2,548</u>	<u>2,548</u>

DR FOSTER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTHS ENDED 30 JUNE 2016

18. Reserves

Share premium

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Share premium has increased due to a share based payment during the period.

Capital redemption reserve

Capital redemption reserve records the nominal value of shares repurchased by the company.

Profit and loss account

Profit and loss includes all current and prior periods retained profits and losses.

19. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £217,341 (2014 - £32,479). Contributions totalling £25,804 (2014 - £9,913) were payable to the fund at the reporting date.

20. Commitments under operating leases

At 30 June 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	30 June 2016 £	31 December 2014 £
Not later than 1 year	287,892	287,892
Later than 1 year and not later than 5 years	263,901	551,793
	<u>551,793</u>	<u>839,685</u>

21. Controlling party

The company is a wholly owned subsidiary of Dr Foster Intelligence Limited, a company incorporated in the United Kingdom. The ultimate parent undertaking is Telstra Corporation Limited, a company incorporated in Australia.

Group financial statements are drawn up by Telstra Corporation Limited and may be obtained from: Corporate Secretary, Telstra Corporation Limited, 242 Exhibition Street, Melbourne, Victoria 3000, Australia.

DR FOSTER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 18 MONTHS ENDED 30 JUNE 2016**

22. First time adoption of FRS 102

For all periods up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the 18 months period ended 30 June 2016, are the first the Company has prepared in accordance with FRS 102.

Accordingly, the Company has prepared individual financial statements which comply with FRS 102 applicable for periods beginning on or after 1 January 2014 and significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2014 the Company's date of transition to FRS 102, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 102.

There were no financial impacts of adopting FRS 102 on either total equity or loss after tax as reported under previous UK GAAP. The only changes within the financial statements relates to disclosure requirements.