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RHETORICAL SYSTEMS LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2006

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RHETORICAL SYSTEMS LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2006

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RHETORICAL SYSTEMS LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

| | |
|------------------------------|---|
| DIRECTORS | Peter Hauser Jan Antherens |
| SECRETARY: | Jan Antherens |
| REGISTERED OFFICE | Saltire Court 20 Castle Terrace Edinburgh EH1 2ET |
| AUDITORS. | BDO Stoy Hayward LLP Connaught House Alexandra Terrace Guildford Surrey GU1 3DA |
| BANKERS . | Bank of Scotland The Mound Edinburgh EH1 1YZ |
| SOLICITORS . | Shepherd & Wedderburn WS Saltire Court 20 Castle Terrace Edinburgh EH1 2ET |
| COMPANY NUMBER | SC 205735 |

RHETORICAL SYSTEMS LIMITED

DIRECTORS' REPORT

YEAR ENDED 30 SEPTEMBER 2006

The directors present their report and the audited financial statements for the nine month financial period ended 30 September 2006

1 ACTIVITIES

The principal activities of the company are the research, development and sale of text to speech software and the provision of related consultancy services. In October 2005 the parent undertaking decided to terminate the activities of the company and consequently for the company to cease trading. No decision has been made as to the future of the company post cessation of trade.

2 RESULTS, DIVIDENDS AND FUTURE PROSPECTS

The results for the period are disclosed on page 6. No dividend is proposed and the loss for the period of £ 46,060 (2005 loss of £ 2,065,000) has been transferred to reserves.

3 DIRECTORS

The directors who served during the period were as follows

Peter Hauser
Jan Anthierens

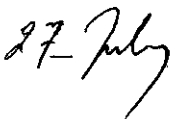
4 AUDITORS

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

BDO Stoy Hayward LLP were appointed as auditors of the group on 7 January 2005 and are the current auditors of the Company's ultimate parent Nuance Communications Inc.

By Order of the Board

J Anthierens
Secretary



2007

RHETORICAL SYSTEMS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period/year which 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, and
- make judgement and estimates that are reasonable and prudent, and
- prepare the final financial statements due to discontinued business operations at the date of the financial statements, and
- state whether applicable accounting standards have been followed

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

RHETORICAL SYSTEMS LIMITED
INDEPENDENT AUDITOR'S REPORT

To the shareholders of Rhetorical Systems Limited

We have audited the financial statements of Rhetorical Systems Limited for the year ended 30 September 2006 which comprise the income and expenditure account, the balance sheet 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 annual report and 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).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 judgements 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.

RHETORICAL STSTEMS LIMITED
INDEPENDENT AUDITOR'S REPORT

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 30 September 2006 and of its loss 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

BDO Stoy Hayward LLP

31 July 2007

BDO Stoy Hayward LLP
Guildford

Chartered Accountants
and Registered Auditors

RHETORICAL SYSTEMS LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 SEPTEMBER 2006

| | | Year ended 30.9.2006 | Year ended 30.9.2005 |
|--|-----------|-------------------------|-------------------------|
| | Note | £ '000 | £ '000 |
| TURNOVER | 3 | | 316 |
| Cost of sales | | ----- | 5 |
| GROSS PROFIT | | | 311 |
| Administrative expenses | | 35 | 2,528 |
| Other operating costs | | 11 | 226 |
| OPERATING LOSS | 4 | (46) | (2,443) |
| Interest receivable and similar income | | | 56 |
| Exceptional item | | | 322 |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | (46) | (2,065) |
| Taxation | 6 | ----- | ----- |
| LOSS ON ORDINARY ACTIVITIES AFTER TAXATION | 13 | (46) = | (2,065) = |

Turnover and operating loss for the period derive wholly from discontinued operations

There are no other recognised gains or losses in the current and prior periods apart from the losses on ordinary activities after taxation

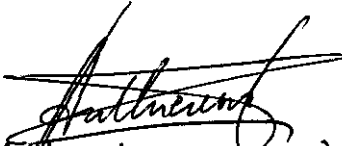
RHETORICAL SYSTEMS LIMITED

BALANCE SHEET

AT 30 SEPTEMBER 2006

| | Note | 30 9 2006 £ '000 | 30.9.2006 £ '000 | 30 09 2005 £ '000 |
|---|------|---------------------|---------------------|----------------------|
| FIXED ASSETS | | | | |
| Intangible assets | 7 | | | 4 |
| Tangible assets | 8 | | | 18 |
| | | | | 22 |
| CURRENT ASSETS | | | | |
| Debtors | 10 | 983 | | 1,239 |
| Cash at bank and in hand | | 17 | | 41 |
| | | 1000 | | 1,280 |
| CREDITORS: Amounts falling due within one year | 11 | 7,379 | | 7,635 |
| NET CURRENT LIABILITIES | | | (6,379) | (6,333) |
| | | | (6,379) | (6,333) |
| | | | = | = |
| CAPITAL AND RESERVES | | | | |
| Called up share capital | 12 | | 1 | 1 |
| Share premium account | 13 | | 199 | 199 |
| Profit and loss account | 13 | | (6,579) | (6,533) |
| SHAREHOLDERS' FUNDS | 14 | | (6,379) | (6,333) |
| | | | = | = |

These financial statements were approved by the Directors on 27 July 2007 and signed on their behalf by


Antierens Jan
Director

RHETORICAL SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2006

1 ACCOUNTING POLICIES

a) Accounting Convention

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

b) Turnover

Turnover derives from the principal activities of the company and is stated net of Value Added Tax

Perpetual software licenses supplied are included in turnover when software has been delivered against a binding obligation on the customer. All associated support revenues are recognised over the contract period

In respect of funded development projects, turnover is recognised over the life of the project. Profit is recognised from the point at which the directors are satisfied as to the overall profitability of the project with reference to the achievement of applicable milestones included within the contract

c) Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost over the estimated lives of the assets

The rates of depreciation are as follows

| | |
|--------------------|-------------------------------|
| Leasehold Property | 10% per annum straight line |
| Office Equipment | 25% per annum straight line |
| Computer Equipment | 33 3% per annum straight line |

d) Deferred Taxation

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements

RHETORICAL SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2006

1 ACCOUNTING POLICIES – Continued

e) Research & Development

Research and development costs are written off in the year in which they are incurred

f) Intangible Assets

Intangible assets are capitalised and amortised in equal instalments over the directors' estimate of their useful economic life

The database licence is amortised over five years

g) Hire Purchase and Finance Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding

Operating lease rentals are charged to income in equal annual amounts over the lease term

h) Pension Costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions are charged to the profit and loss accounts as they become payable in accordance with the rule of the scheme

i) Foreign Currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date

All differences are taken to the profit and loss account

j) Grants

Government grants in respect of revenue expenditure are recognised in the profit and loss account in line with the recognition of the related expenditure

RHETORICAL SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2006

2 GOING CONCERN

The accounts have been prepared on a going concern basis which assumes that continued financial support will be made available by the parent company, Rhetorical Group plc

At the date of approval of these accounts, the directors of Rhetorical Group plc have confirmed that continued support will be made available

3 TURNOVER

No turnover is generated in the current fiscal year

4 OPERATING LOSS

| | Year ended 30 09 06 £ '000 | Period ended 30.09.05 £ '000 |
|---|----------------------------------|------------------------------------|
| Operating Loss is stated after charging (crediting): | | |
| Depreciation on owned assets | 7 | 155 |
| Amortisation of intangible assets | 4 | 15 |
| Auditors' remuneration | 5 | 9 |
| Payments under operating leases – rent | | 217 |
| Research and development | | 492 |
| | = | ===== |

5 STAFF COSTS

The average number of persons employed by the company, including directors, during the period was as follows

| | Year ended 30 09 06 No | Period ended 30.09.05 No. |
|-------------------------------|------------------------------|---------------------------------|
| Management and administration | | 3 |
| Production | | 19 |
| Sales | | 3 |
| | --- | --- |
| | | 19 |
| | --- | --- |

RHETORICAL SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2006

5 STAFF COSTS (Continued)

The aggregate payroll costs of these persons were as follows

| | Year ended 30 09.06 £ '000 | Period ended 30.09.05 £ '000 |
|-----------------------|----------------------------------|------------------------------------|
| Wages and salaries | | 945 |
| Social security | | 92 |
| | --- | --- |
| | = - | 1,037 |
| | = - | = - |
| Directors' emoluments | £ '000 | £ '000 |
| Fees | | |
| Other emoluments | | 266 |
| Pension contributions | | |
| | -- --- | -- --- |
| | = - | 266 |
| | = - | --- = |

The emoluments of the highest paid director (excluding pension contributions) were £0 (2005 £0)

6 TAX ON LOSS ON ORDINARY ACTIVITIES

| | Year ended 30 09 06 £ '000 | Period ended 30.09 05 £ '000 |
|--|----------------------------------|------------------------------------|
| Tax Charge | ===== | = = |
| Loss on ordinary activities before taxes | (46) | (2,065) |
| | = - - | = = |
| Corporate Tax Standard Rate | (14) | (619) |
| Effects of | | |
| Expenses not deductible for tax purposes | 14 | 269 |
| Depreciation in excess of capital allowances | | 50 |
| Group relief | | (42) |
| Losses carried forward | | 342 |
| | --- | --- |
| Current tax charge for the year | | |

Loss on ordinary activities before taxes

The Company has a deferred tax asset at 30 September 2006, 30 September 2005 and 30 September 2004 as a consequence of accumulated tax losses. This has not been recognised at the balance sheet dates.

RHETORICAL SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2006

7 INTANGIBLE FIXED ASSETS

| | Database Licence £ '000 |
|-----------------------|----------------------------|
| Cost | |
| At 1 October 2006 | 75 |
| | ===== |
| Amortisation | |
| At 1 October 2006 | 71 |
| Charge for the period | 4 |
| | -- -- |
| At 30 September 2006 | 75 |
| | ===== |
| Net Book Value | |
| At 30 September 2006 | |
| At 30 September 2005 | - = |

8 TANGIBLE FIXED ASSETS

| | Leasehold Property £ '000 | Computer Equipment £ '000 | Office Equipment £ '000 | Total £ '000 |
|-----------------------|---------------------------------|---------------------------------|-------------------------------|-----------------|
| Cost | | | | |
| At 30 September 2005 | 139 | 417 | 118 | 674 |
| Transfers | (139) | (417) | (118) | (674) |
| | -- -- | -- -- | -- -- | -- |
| At 30 September 2006 | | | | |
| | = = | - = - | -- | -- = |
| Depreciation | | | | |
| At 30 September 2005 | 139 | 401 | 116 | 656 |
| Charge for the period | | 5 | 2 | 7 |
| Transfer | (139) | (406) | (118) | (663) |
| | ----- | ----- | -- -- | -- |
| At 30 September 2006 | | | | |
| | == | = = | = = - | --== |
| Net Book Value | | | | |
| At 30 September 2006 | | | | |
| | = = = | == - | -- -- | = = |
| At 30 September 2005 | | 16 | 2 | 18 |
| | - = | ----- | = = | ==-- |

RHETORICAL SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2006

9 INVESTMENTS

Rhetorical Systems Limited holds the entire issued share capital of Rhetorical Trustees Limited and Rhetorical Inc. Rhetorical Trustees Limited holds shares in Rhetorical Group plc in trust for the benefit of the employees of Rhetorical Systems Limited. The investment of £1 in Rhetorical Trustees Limited, a company registered in Scotland, is held at no value in the accounts. Rhetorical Inc markets and sells Rhetorical products and services throughout North America. The investment of \$10 in Rhetorical Inc, a company registered in the United States, is held at no value in the accounts.

10 DEBTORS

| | 30 09 2006 £ '000 | 30 09 2005 £ '000 |
|--------------------------------|----------------------|----------------------|
| Trade debtors | | 9 |
| Sundry debtors | | 248 |
| Amounts due by related parties | 981 | 981 |
| Prepayments and accrued income | 2 | 1 |
| | ----- | ----- |
| | 983 | 1,239 |
| | == = | == = |

11 CREDITORS Amounts falling due within one year

| | 30 09 2006 £ '000 | 30.09.2005 £ '000 |
|---------------------------------------|----------------------|----------------------|
| Trade creditors | 20 | 15 |
| Accruals and deferred income | 12 | 762 |
| Other taxes and social security costs | | 8 |
| Amounts due to related parties | 7,347 | 6,850 |
| | -- -- | -- -- |
| | 7,379 | 7,635 |
| | = = | -- = |

12 CALLED UP SHARE CAPITAL

| | 30 09 2006 £ '000 | 30 09.2005 £ '000 |
|--|----------------------|----------------------|
| Authorised | | |
| 102,000 Ordinary shares of £0.01 each | 1 | 1 |
| | - = | ----- |
| Allotted called up and fully paid | | |
| 102,000 Ordinary shares of £0.01 each | 1 | 1 |
| | = -- | = |

RHETORICAL SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2006

13 RESERVES

| | Share Premium Account | Profit & Loss Account | Total |
|------------------------|--------------------------|-----------------------------|----------|
| | £ '000 | £ '000 | £ '000 |
| At 30 September 2004 | 199 | (6,533) | (6,334)) |
| Movement in the period | | (46) | (46) |
| | -- -- | -- -- | -- -- |
| At 30 September 2005 | 199 | (6,579) | (6,380) |
| | === = | = - | -- = |

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 30.09 2006 £ '000 | 30 09 2005 £ '000 |
|------------------------------------|----------------------|----------------------|
| Loss for the financial period/year | (46) | (2,065) |
| Opening shareholders' funds | (6,333) | (4,268) |
| | -- -- | -- -- |
| Closing shareholders' funds | (6,379) | (6,333) |
| | -- = | -- = |

15 RELATED PARTY TRANSACTIONS

In preparing these accounts, the company has taken advantage of exemption contained within Financial Reporting Standard 8 (Related Party Transactions) from the requirement to disclose transactions with other group companies

16 CONTROLLING PARTY

The controlling party is Rhetorical Group plc, which holds 100% of the ordinary shares

17 SUBSEQUENT EVENT

The company employed no more employees and ceased trading as from October 2005. The intention is to formally liquidate both Rhetorical Group Plc and Rhetorical Systems Ltd although no concrete timeframe is foreseen to strike these companies

RHETORICAL SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2006

18 IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The company is a wholly owned subsidiary of Rhetorical Group Plc, a company incorporated in Scotland, United Kingdom

The ultimate parent company undertaking is Nuance Communications, Inc (formerly Scansoft, Inc) a company incorporated in the United States of America

The group accounts of Nuance Communications, Inc can be obtained from Nuance Communications, Inc ,
1 Wayside Road, Burlington, MA 01803 ,USA