(Registered number 01288342)

ESRI (UK) LIMITED

Annual report for the year ended 31 December 2016

Contents

Strategic report for the year ended 31 December 2016

The Directors present their strategic report on the company for the year ended 31 December 2016.

Review of the business

The company's principal activity is the provision of geographical information systems (GIS) software and solutions, consultancy, training and support services. Revenue is in line the prior year whilst Operating Profit is up 11% as a result of continued control over costs.

Our Strategy

The company is convinced of the power of GIS to solve business problems. A significant feature of our strategic direction is to demonstrate to our current and potential customers this power. The Board believes there are significant growth prospects for the GIS market and its aim is to serve this with pioneering applications and solutions for customers.

Principal risks and uncertainties

The business is founded on great people delivering excellent customer service via robust processes. The company continues to develop leading edge quality management systems across the business and as the company has grown it develops policies and processes to accommodate growth. The company actively seeks to identify, mitigate and manage risk in all areas of the business. The Directors of the company have overall responsibility for the company's approach to assessing risk and recognises it is an inherent part of creating value in a company. The Directors have a formal policy of assessing risks on a regular basis.

The main areas of risk are:

- Maintaining our reputation with our customers
- Economic and Market Risk

At the end of the year there were no significant concentrations of risk.

Key performance indicators

The financial Key Performance Indicators (KPIs) used by the company to measure performance are Revenue and Operating Profit, which can be found on the profit and loss account on page 7.

The non-financial KPIs for the company remain its high levels of customer service and quality, with no adverse issues noted as at 31 December 2016.

Staff and the environment

We continue to strive to provide a challenging and rewarding environment for our staff and recognise what they deliver. Our CSR policy allows and encourages all staff to contribute to: put something back into society; develop new skills; meet new people outside of their normal working environment; and undertake activities that are motivating and life enhancing. We maintain our focus on the company making a positive contribution to the environment through its own action and those of its customers.

On behalf of the Board

S Bonthrone
Managing Director

29th June 2017

Directors' report for the year ended 31 December 2016

The Directors present their report and the audited financial statements of the company for the year ended 31 December 2016.

Future Developments

The strategy for 2017 and beyond is further growth of the business by continuing to serve our existing customers as well as by attracting new customers.

Results and dividends

The profit for the financial year amounted to **£7,597,063** (2015: £7,432,734).

Dividends paid in the period amounted to **£7,800,000** (2015: £8,000,000). The Directors have not recommended a dividend be paid as at the year-end.

Political donations and political expenditure

The company has made no political donation nor incurred any political expenditure during the year (2015: £nil).

Directors

The Directors who held office during the year and up to the date of signing of the financial statements were:

AR Waite	(Chairman) – Resigned 10 August 2016
S Bonthrone	(Managing Director)
C Kennelly	
GH Davies	

Research and development

The company's R&D policy is to fund pure research, often in association with universities whilst staff are also dedicated to creative thinking around the application of GIS to commercial problems within the markets the company operates. In developing applications, software engineers undertake R&D into the way core software products can be deployed to bring value to customers. Expenditure on R&D activities in the year amounted to **£2,632,486** (2015: £2,908,484).

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees has continued at all levels, with the aim of ensuring their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of the company as a whole. Communication with employees continues through regular communication and briefing groups.

To encourage employees' participation in the company's financial performance it operates a profit share bonus scheme for eligible staff.

Directors' report for the year ended 31 December 2016 (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

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

Disclosure of information to auditors

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

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

Independent auditors

Pursuant to Section 485 of the Companies Act 2006, PricewaterhouseCoopers LLP was re-appointed as auditor during the year and have expressed their willingness to continue in office.

On behalf of the Board

S Bonthrone
Managing Director

29th June 2017

Independent auditors' report to the members of Esri UK Limited

Report on the financial statements

Our opinion

In our opinion, Esri UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Balance sheet as at 31 December 2016;
- the Profit and loss account for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the Notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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 of:

- 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report 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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Alex Hookway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
29 June 2017

Profit and Loss account for the year ended 31 December 2016

Continuing operations	Note	**2016** **£**	2015 £
Revenue	5	**50,592,203**	50,804,268
Cost of Sales		**(24,485,088)**	(21,910,796)
Gross Profit		**26,107,115**	28,893,472
Distribution Costs		**(7,719,610)**	(7,609,787)
Administrative Expenses		**(10,991,990)**	(14,369,693)
Other operating income	6	**368,025**	71,004
Operating Profit	6	**7,763,540**	6,984,996
Income from shares in group undertakings		**1,017,035**	1,470,588
Interest receivable and similar income		**109,182**	74,333
Profit on ordinary activities before taxation		**8,889,757**	8,529,917
Tax on profit on ordinary activities	9	**(1,292,694)**	(1,097,183)
Profit for the financial year		**7,597,063**	7,432,734

All amounts relate to continuing operations.

There are no other comprehensive gains or losses in the year and therefore no statement of comprehensive income has been prepared.

Balance sheet as at 31 December 2016

	Note	2016	2016	2015	2015
		£	£	£	£
Intangible assets	10	**150,219**		247,700	
Tangible assets	11	**333,298**		423,062	
Investments	12	**668**		668	
Fixed Assets			**484,185**		671,430
Debtors	13	**15,385,991**		12,583,090	
Cash at bank and in hand		**13,933,306**		14,037,631	
Current assets			**29,319,297**		26,620,721
Creditors: amounts falling due within one year	14		**(24,726,395)**		(22,012,127)
Net current assets			**4,592,902**		4,608,594
Total assets less current liabilities			**5,077,087**		5,280,024
Net assets			**5,077,087**		5,280,024
Capital and Reserves					
Called up share capital	16		**10,000**		10,000
Profit and loss account			**5,067,087**		5,270,024
Total equity			**5,077,087**		5,280,024

The financial statements on pages 7 to 25 were approved by the Board of Directors on 29th June 2017 and were signed on its behalf by:

S Bonthrone
Managing Director

Statement of changes in equity for the year ended 31 December 2016

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2015	10,000	5,837,290	5,847,290
Profit for the financial year and total comprehensive income	-	7,432,734	7,432,734
Dividends	-	(8,000,000)	(8,000,000)
Balance at 31 December 2015	10,000	5,270,024	5,280,024
Profit for the financial year and total comprehensive income	-	7,597,063	7,597,063
Dividends	-	(7,800,000)	(7,800,000)
Balance at 31 December 2016	**10,000**	**5,067,087**	**5,077,087**

Notes to the financial statements for the year ended 31 December 2016

1 General information

ESRI (UK) Limited (the company) sells geographical information systems (GIS) software and solutions, consultancy, training and support services.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Millennium House, 65 Walton Street, Aylesbury, Bucks, HP21 7QG.

2 Statement of compliance

The individual financial statements of ESRI (UK) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102") and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention as modified by the revaluation of land and buildings through the profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(b) Going concern

The company meets its day to day working capital requirements through its bank facilities and group funds, as required. The company's forecast and projections, taking account of reasonably possible changes in economic conditions, show the company should be able to operate within the level of its current facilities. After making enquiries, the Directors have a reasonable expectation the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

(c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The company has taken advantage of the exemption to disclose key management personnel compensation, under FRS 102 paragraph 33.7.

The company has also taken advantage of the exemption, under FRS 102 paragraph 3.17 (d), from preparing a statement of cash flows, on the basis it is a qualifying entity and its ultimate parent company, ESRI Holdings Limited, includes the company's cash flows in its own consolidated financial statements.

(d) Consolidated financial statements

The company is a wholly owned subsidiary of ESRI Holdings Limited, is included within the consolidated financial statements of ESRI Holdings Limited, which are publicly available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

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

Notes to the financial statements for the year ended 31 December 2016 (continued)

3 Summary of significant accounting policies (continued)

(e) Foreign Currency

(1) Functional and presentation currency

The company's functional and presentation currency is the pound sterling.

(2) 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 spot rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

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

(f) Revenue recognition

Revenue comprises amounts recognised by the company in respect of income recognised on an accruals basis.

Revenue represents the fair value of consideration received or receivable from clients for goods and services provided by the company, net of discounts and Value Added Tax. Revenue is recognised when a legal right to consideration exists, delivery to a customer has occurred with no significant vendor obligations remaining and where the collection of the resulting receivable is considered probable.

Where these circumstances exist but no invoice to the customer has been raised, under the terms of the contracts, Revenue is recognised but the corresponding receivable is shown as accrued income on the balance sheet.

Software sales generate Revenue when the company sells the right to use a software product, including significant upgrades, and when a fee is payable for a significant variation of an existing product. Sales of standard, unmodified software are recognised when a legal right to consideration exists and delivery to a customer has been deemed to have occurred with no significant vendor obligations remaining and where the collection of the resulting receivable is considered probable. In instances where a significant vendor obligation exists, Revenue recognition is deferred until the obligation has been satisfied.

Revenue from services, such as consultancy, training and content, is recognised as the services are performed, by reference to the stage of completion of the contract activity at the balance sheet date. Losses on contracts are recognised as soon as a loss is foreseen. Where revenue recognised is greater than the value of invoices to the customer, the corresponding asset is shown as accrued income on the balance sheet. Where revenue recognised is less than the value of invoices to the customer, the corresponding liability is shown as deferred income on the balance sheet.

Maintenance fees are recognised pro rata over the period of the contract. Revenue from other services is recognised as the services are performed.

(g) Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

Notes to the financial statements for the year ended 31 December 2016 (continued)

3 Summary of significant accounting policies (continued)

(g) Employee benefits (continued)

(1) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits are recognised as an expense in the period in which the service is received.

(2) Defined contribution pension plans

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 when they are due. Amounts not paid are shown as 'Other creditors' in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

(3) Annual bonus plan

The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

(h) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred tax assets and liabilities are not discounted.

(1) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws which have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(2) Deferred tax

Deferred tax arises from timing differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in period different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrealised tax losses and other deferred tax assets are only recognised when it is probable they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws enacted or substantially enacted by the period end and are expected to apply to the reversal of the timing difference.

Notes to the financial statements for the year ended 31 December 2016 (continued)

3 Summary of significant accounting policies (continued)

(i) Intangible assets

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of between three and five years, on a straight line basis.

Where factors, such as technological advancement, indicate a residual value or useful life has changed, the residual value useful life or amortisation rate are amended to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate the carrying amount may be impaired.

(j) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use.

(1) Fixtures & fittings and Computer hardware

These are stated at cost less accumulated depreciation and accumulated impairment losses.

(2) Depreciation and residual values

Depreciation is provided at rates calculated to write off the historical cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

- Computer Hardware: 33% straight line
- Fixtures & fittings: 10% to 20% straight line

The assets' residual value and useful life are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

(3) De-recognition

Tangible assets are de-recognised on disposal or when no future economic benefits are expected. On disposal the difference between the net disposal proceeds and the carrying amount is recognised in profit and loss and included in 'Administrative expenses'.

(k) Leased assets

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(1) Operating leases assets

Leases which do not transfer all risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

(2) Lease incentives

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight line basis over the period of the lease.

Notes to the financial statements for the year ended 31 December 2016 (continued)

3 Summary of significant accounting policies (continued)

(k) Leased assets (continued)

The company has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 January 2014) and continues to credit such lease incentives to the profit and loss account over the period to the first review date on which the rent is adjusted to market rates.

(l) Investments in subsidiary undertakings

Investment in subsidiary undertakings are held in at cost less accumulated impairment losses.

(m) Cash and cash equivalents

Cash and cash equivalents includes cash in hand and any short term highly liquid investment with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

(n) Provision and contingencies

(1) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

In particular, a provision for dilapidation is recognised when the company enters into a lease for property, the lease requires us to make good any changes made to the property and the company has made certain amendments to the property.

Provision is not made for future operating losses.

(2) Contingencies

Neither contingent liabilities nor contingent assets are recognised. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

(o) Financial instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(1) Financial Assets

Basic financial assets, including trade and other receivables, and cash and bank balances are initially recognised at transaction price, unless an 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.

(2) Financial liabilities

Basic financial liabilities, including trade and other payables, bank and loans from other group companies are initially recognised at transaction price, unless an 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.

Notes to the financial statements for the year ended 31 December 2016 (continued)

3 Summary of significant accounting policies (continued)

(o) Financial instruments (continued)

Trade payables are obligations to pay for goods or services which have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Derivatives, including 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 the profit and loss in Gross profit.

The company does not currently apply hedge accounting for foreign exchange derivatives.

(3) Work in progress

Contracted work in progress included in Accrued Income is valued at its recoverable amount on a completion basis. Excess progress payments and provisions for future losses on long term contracts are included in Deferred Income.

(4) Research & development

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

(5) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements where there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis.

(p) Share capital

Ordinary shares are classified as equity.

(q) Distribution to equity holders

Dividends and any other distribution to company shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

(r) Related party transactions

The company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the entity's accounting policies

(i) Revenue recognition

The calculation of software and maintenance revenue is dependent upon fair value allocation because they are sold together and not separately invoiced. Therefore management exercises judgement in assessing whether such obligations are significant and, if necessary, the value of the revenue to be deferred. Such revenue is recognised on a straight line

Notes to the financial statements for the year ended 31 December 2016 (continued)

4 Critical accounting judgements and estimation uncertainty (continued)

basis over the life of the contract, typically one year.

Revenue recognition of consultancy is recognised on a percentage of completion basis when the outcome of the contract can be estimated reliably. Management exercises judgement in identifying onerous service contracts and determining whether a contract's outcome can be estimated reliably. Management also makes estimates in the calculation of future contract costs, fair values of contracts, the value of discounts given and the timing of revenue recognition. Estimates are continually revised based on changes in the facts relating to each contract.

(b) Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions having a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are addressed below.

(i) Useful economic life of fixed assets

The annual depreciation and amortisation charges for fixed assets are sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are assessed annually. They are amended where necessary to reflect current estimates. See note 10 and 11 for the carrying amount of fixed assets and note 3 (j) for the useful economic lives of each class of asset.

(ii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the ageing profile of debtors and historical experience. See note 13 for the net carrying amount of debtors and associated impairment provision.

5 Revenue

All revenue relates to the sale of software and related services. A geographical analysis of revenue is as follows:

	2016	2015
	£	£
United Kingdom	**48,833,143**	45,981,877
Rest of European Union	**1,387,861**	1,109,896
Rest of world	**371,199**	3,712,495
	50,592,203	50,804,268

Notes to the financial statements for the year ended 31 December 2016 (continued)

6 Operating profit

	2016	2015
	£	£
Operating profit is stated after (crediting)/charging:		
Wages and salaries	**16,594,193**	18,037,422
Social security costs	**1,861,772**	1,961,388
Other pension costs (note 18)	**778,878**	994,570
Staff costs	**19,234,843**	20,993,380

Other operating income – Rent Receivable	**(164,862)**	(71,004)
Depreciation of tangible fixed assets – owned by the company	**270,934**	280,636
Amortisation of Intangible assets	**153,029**	112,316
Operating lease charges – other operating leases	**759,239**	790,597
Research & Development	**2,632,486**	2,908,484
Research & Development credit	**(203,164)**	-
Services provided by the company's auditor:		
Fees payable for the audit	**48,833**	42,528
Fees payable for other services – tax compliance	**20,000**	20,000

7 Directors' emoluments

	2016	2015
	£	£
Remuneration	**1,543,852**	1,563,344
Pension contribution to defined contribution pension scheme	**52,047**	103,855

During the year retirement benefits were accruing to four Directors (2015: five) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of **£677,130** (2015: £592,177).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to **£8,565** (2015: £34,175).

Notes to the financial statements for the year ended 31 December 2016 (continued)

8 Employee information

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

	2016 **No**	2015 No
Sales	**94**	92
Professional Services, Training and Support	**108**	129
Commercial	**55**	57
	257	278

9 Tax on profit on ordinary activities

		2016 **£**	2015 £
Current tax			
UK corporation tax on profits of the year		**1,422,888**	1,093,728
Adjustments in respect of prior periods		**(122,306)**	(32,921)
Total current tax		**1,300,582**	1,060,807
Deferred tax			
Origination and reversal of timing differences		**(7,888)**	36,376
Total deferred tax	(note 15)	**(7,888)**	36,376
Tax on profit on ordinary activities		**1,292,694**	1,097,183

Notes to the financial statements for the year ended 31 December 2016 (continued)

9 Tax on profit on ordinary activities (continued)

The tax assessed for the year is **lower** (2015: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2016 of **20%** (2015: 20.25%). The differences are explained below:

	2016 **£**	2015 £
Profit on ordinary activities before taxation	**8,889,757**	8,529,917
Profit on ordinary activities multiplied by the standard rate in the UK of **20%** (2015: 20.25%)	**1,777,952**	1,727,017
Effects of:		
Expenses not deductible for tax purposes	**10,065**	10,142
Accelerated capital allowances	**53,072**	38,673
Adjustment in research and development tax credit leading to a decrease in the tax charge	**(204,241)**	(376,143)
Changes in provisions leading to an increase in the tax charge	**(10,553)**	(8,217)
Dividends from UK and Irish companies	**(203,407)**	(297,744)
Adjustments in respect of prior periods	**(122,306)**	(32,921)
Movement in Deferred tax asset recognised	**(7,888)**	36,376
Total tax charge for the year	**1,292,694**	1,097,183

The main rate of corporation tax has remained at 20% since 1 April 2015.

Reductions to the corporation tax rates were substantively enacted as part of the Finance bill 26 October 2015. The main rate of UK corporation tax will be reduced to 19% on 1 April 2017 and will be reduced further to 18% on 1 April 2020.

Notes to the financial statements for the year ended 31 December 2016 (continued)

10 Intangible assets

	Computer Software £
Cost	
At beginning of year	456,453
Additions	55,548
Disposals	(26,849)
At end of year	**485,152**
Accumulated amortisation	
At beginning of year	208,753
Charge for the year	153,029
Disposals	(26,849)
At end of year	**334,933**
Net book values	
At end of year	**150,219**
At beginning of year	247,700

The software intangible assets includes **£332,297** (2015: £237,444) in respect of the company's main financial systems.

Notes to the financial statements for the year ended 31 December 2016 (continued)

11 Tangible fixed assets

	Computer Hardware £	Fixture & Fittings £	Total £
Cost			
At beginning of year	1,181,344	479,886	1,661,230
Additions	111,167	70,003	181,170
Disposals	(405,879)	(139,706)	(545,585)
At end of year	**886,632**	**410,183**	**1,296,815**
Accumulated depreciation			
At beginning of year	889,499	348,669	1,238,168
Charge for the year	190,828	80,106	270,934
Disposals	(405,879)	(139,706)	(545,585)
At end of year	**674,448**	**289,069**	**963,517**
Net book values			
At end of year	**212,184**	**121,114**	**333,298**
At beginning of year	291,845	131,217	423,062

Notes to the financial statements for the year ended 31 December 2016 (continued)

12 Investments

	Investment in subsidiary companies £
Cost and Net book value	
At beginning and end of year	**668**

The following were subsidiary undertakings of the company, and the respective aggregate value of share capital and reserves and the profit or loss for the year is as follows:

Name	Class of Share	Holding	Total Equity £	Profit for the financial year £
Environmental Systems Research Institute Ireland Limited Registered address: Riverside One, Sir John Rogerson's Way, Navan Road, Dublin 15	Ordinary	100%	1,151,002	1,376,839
ESRI (UK) Services Limited (a dormant company) Registered address: Same as Esri (UK) Limited	Ordinary	100%	-	-

Environmental Systems Research Institute Ireland Limited is incorporated in the Republic of Ireland and ESRI (UK) Services Limited is incorporated in the United Kingdom.

13 Debtors

		2016 £	2015 £
Trade debtors		**7,834,758**	5,885,575
Amounts owed by group undertakings		**6,110,262**	4,814,612
Deferred Tax	(note 15)	**118,518**	110,630
Other Debtors		**186,798**	740,878
Prepayments and accrued income		**1,135,655**	1,031,395
		15,385,991	12,583,090

Trade debtors are stated after provisions for impairment of **£112,063** (2015: £100,000).

Amounts owed by group undertakings are unsecured, interest free and payable upon demand.

Notes to the financial statements for the year ended 31 December 2016 (continued)

14 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	**6,340,741**	4,239,032
Amounts owed to group undertakings	**81,239**	81,239
Corporation tax	**478,123**	717,236
Other taxation and social security	**1,519,156**	1,281,931
Other creditors	**780,467**	928,039
Accruals and deferred income	**15,526,669**	14,764,650
	24,726,395	22,012,127

Amounts owed to group undertakings are unsecured, interest free and payable upon demand.

15 Deferred Taxes

	2016 £	2015 £
Accelerated Capital Allowances	**43,511**	45,571
Other timing differences	**75,007**	65,059
Deferred tax asset	**118,518**	110,630

	2016 £	2015 £
At beginning of year	**110,630**	147,006
Deferred tax (charge)/credit in the Profit & loss account	**7,888**	(36,376)
At end of year	**118,518**	110,630

16 Called up share capital

Ordinary shares of £1 each

Allotted and fully paid	2016 £	2016 No	2015 £	2015 No
At beginning and end of year	**10,000**	**10,000**	10,000	10,000

	2016 £	2015 £
Dividends paid on equity capital	**7,800,000**	**8,000,000**

Notes to the financial statements for the year ended 31 December 2016 (continued)

17 Contingent liabilities

The company is party to a group guarantee with its bankers to help fulfil any mortgage or payment obligations should another group company be unable to meet them.

18 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 **£778,878** (2015: £994,570). Contributions totalling **£161,499** (2015: £213,203) were payable to the fund at the balance sheet date and are included within creditors.

19 Operating lease commitments

At 31 December 2016 the company had the following commitments under non-cancellable operating leases expiring as follows:

	Land & Buildings		**Other**	
	2016 £	2015 £	**2016 £**	2015 £
Within one year	**9,623**	514,803	39,457	157,255
Within two to five years	**1,740,167**	1,746,464	107,496	125,726
After five years	-	-	6,518	-

Esri UK rents a property from within the group for which the lease agreement is in the process of being renewed till 2020

20 Other financial commitments

The company is exposed to foreign exchange risk as a result of its operations. The exposure is hedged with a foreign exchange rate forward contract with various institutions and as at the year end the company had entered into various forward contract arrangements, with expiry dates all falling due within one year, to buy a minimum of **$17.5m** US Dollars for British Pounds (2015: $11.3m). Where the foreign exchange rate exceeds the set upper barrier rate on each deal, the company's obligation to purchase US Dollars can exceed this amount.

The fair value of the instrument at 31 December 2016 was an asset of **£102,505** (2015: asset of £35,295) representing a gain of **£67,210** (2015: a loss of £19,059). The gains and losses at the time of settlement are recognised in the profit and loss account within 'Gross profit'.

Notes to the financial statements for the year ended 31 December 2016 (continued)

21 Related party transactions

See note 7 for disclosure of the Directors remuneration.

The company is exempt from disclosing other related party transactions as they are with other companies wholly owned within the group.

A director's son was employed on temporary basis by a group company during the year at a total expense of **£12,257** (2015: £5,232). *No amounts were outstanding at the year end.*

22 Controlling parties

The immediate parent, and ultimate parent company, is ESRI Holdings Limited, a company registered in England & Wales. ESRI Holdings Limited is the smallest and largest group to consolidate these financial statements. These financial statements are available from Millennium House, 65 Walton Street, Aylesbury, Bucks, HP21 7QG.