

**The Open Group Limited (formerly X/Open
Company Limited)**

**Strategic report, Director's report and
financial statements**

Registered number 02134862

31 December 2017

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Strategic report

The director presents his strategic report for the year ended 31 December 2017.

Principal activities

The Open Group Limited ("the Company") is a wholly-owned subsidiary of The Open Group LLC ("the Group").

The Open Group is a vendor- and technology-neutral consortium, whose vision of Boundaryless Information Flow™ will enable access to integrated information within and between enterprises based on open standards and global interoperability.

The Company's revenues from third parties during the year ended 31 December 2017 were derived from professional certification programs (Open CA and Open CTS) and research projects funded by the European Commission (EC).

In addition, the Company earned revenues by supplying services to the Group, mainly in respect of staff salaries and related costs, third party services, travel and marketing. These revenues are calculated by charging costs of the Company, with an appropriate mark-up, to the Group under a transfer pricing agreement. Charges for the supply of such services and the mark-up are payable by the Group on demand. During 2017, the rate of mark-up on services supplied to the Group was reduced from 10.0% to 4.0%, which the director feels is a more appropriate percentage based on Company and Group profitability.

Business review

(a) Review of the development and performance of the business in 2017

2017 was a year of solid progress for the Company. Turnover and profit were both in excess of the operating plan targets.

During 2017, turnover amounted to \$13,628,000 (2016: \$14,923,000), a decrease of 9%. A profit for the financial year of \$106,000 (2016: \$1,167,000) was achieved, a decrease of 91%. This decrease occurred partly due to the reclassification of certain profitable revenue streams as Group revenues in 2017, and more significantly because of a reduction in the transfer price mark-up applied to services provided by the Company to the Group, in order to more accurately reflect the Company's profit earned.

Revenues derived from the supply of services to the Group were \$12,100,000 (2016: \$7,800,000).

The balance sheet was further strengthened in 2017. Shareholder's funds increased by \$281,000 to \$4,056,000. In particular, cash increased by \$609,000 to \$9,291,000, most significantly due to a reduction in trade receivables as a result of a continued focus on credit control.

In addition, the Company significantly contributed to the following key achievements of the Group in 2017:

- The number of TOGAF® 9 certified individuals passed 75,000 in the fourth quarter
- A new Platinum member (Micro Focus International plc) joined in November 2017
- Revenues from EC funded projects grew 18% to \$1,135,000

(b) Principal risks and uncertainties facing the company

The principal risks and uncertainties for the Group as a whole are set out below. The Company continues to be directly and indirectly impacted by these risks, since it provides services to other members of the Group and to external customers of the Group. Therefore, in addition to these broader risks, a risk to the Company's individual operations is the operating structures and arrangements determined by the Group.

- The impact of US Government budget problems in the United States is an unknown risk factor, but a continued US Government shutdown or failure to raise the debt limit could significantly affect member participation and renewal
- It is impossible to predict whether or not we are approaching market saturation for TOGAF® 9 certification, which is now a significant part of overall Group revenues
- Large fluctuations in the exchange rates between the US dollar and the GB pound sterling can have a significant impact on our bottom line, regardless of the use of best practices for hedging the risk

- The future impact of the withdrawal of the United Kingdom from the European Union in 2019 ("Brexit") on the Company's revenues derived from EC-funded projects is unclear at this time

(c) Key performance indicators (KPIs) in 2017

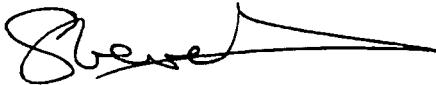
Company KPIs:

- EC project revenues increased 18% to \$1,135,000
- The number of Open CA certified individuals increased from 4,403 to 4,487, an increase of 2%

Group KPIs, supported by the activities of the Company:

- Micro Focus joined as a Platinum member in November 2017
- The Open Process Automation™ Forum was launched in January 2017
- The number of customer membership agreements rose from 546 to 585 during 2017
- The number of individuals achieving TOGAF® 9 certification increased from 63,000 to 75,000
- The number of individuals achieving ArchiMate® certification increased from 3,400 to 5,000
- The Open Group blog was viewed approximately 129,000 times (2016: 121,000)

By order of the board



S Nunn
Director
28 September 2018

Apex Plaza
Forbury Road
Reading
Berkshire
RG1 1AX

Director's report

The director presents his annual report for the year ended 31 December 2017.

Change of company name

On 20th September 2018, the Company's name was changed from X/Open Company Limited to The Open Group Limited.

Director

The director below held office during the year to 31 December 2017:

Steven Nunn

Dividends

The director is not recommending the payment of a dividend (2016: \$nil).

Company locations

The Company operates through offices in the UK and the USA.

Disclosure of information to the auditor

The director who held office at the date of approval of this director's report confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Political contributions

No political contributions were made during the year (2016 \$nil).

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Strategic report

The reporting requirements on principal activities, business review, principal risks and uncertainties and KPIs are dealt with in the strategic report.

By order of the board



S Nunn
Director
28 September 2018

Apex Plaza
Forbury Road
Reading
Berkshire
RG1 1AX

Statement of director's responsibilities in respect of the Strategic Report, the Director's Report and the financial statements

The director is responsible for preparing the Strategic Report, the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law he has elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the director must not approve the financial statements unless he is 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The director is 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. He is responsible for such internal control as he determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The director is responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE OPEN GROUP LIMITED

Opinion

We have audited the financial statements of The Open Group Limited ("the company") for the year ended 31st December 2017 which comprise the profit and loss account and other comprehensive income, balance sheet, statement of changes in equity, cash flow statement, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and director's report

The director is responsible for the strategic report and the director's report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the director's report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the director's report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

- the director was not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Director's responsibilities

As explained more fully in his statement set out on page 4, the director is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as he determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless he either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

S. Richardson

**Simon Richardson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
Arlington Business Park

Theale
Reading
RG7 4SD

28 September 2018

Profit and loss account and other comprehensive income
for the year ended 31 December 2017

	<i>Note</i>	2017 \$000	2016 \$000
Turnover	2	13,628	14,923
Cost of sales		(7,216)	(6,700)
Gross profit		6,412	8,223
Other operating expenses	3	(6,041)	(6,216)
Operating profit		371	2,007
Net interest and similar charges	4	(313)	-(512)
Profit before taxation	5-7	58	1,495
Tax on profit	8	48	(328)
Profit after taxation		106	1,167
Other comprehensive income			
Changes in fair value of cash flow hedges, net of amounts transferred to profit and loss	15	217	(80)
Income tax on other comprehensive income	8	(42)	16
Total comprehensive income		281	1,103

All amounts derive from continuing operations.

Balance sheet
at 31 December 2017

	Note	2017		2016	
		\$000	\$000	\$000	\$000
Fixed assets					
Tangible assets	9		59		59
Current assets					
Debtors (including \$507,000 (2016: \$788,000) falling due within one year and \$205,000 (2016: \$105,000) falling due after more than one year)	10	712		893	
Cash at bank and in hand		9,291		8,682	
		<u>10,003</u>		<u>9,575</u>	
		(4,930)		(5,346)	
Creditors: amounts falling due within one year	11				
Net current assets			5,073		4,229
Total assets less current liabilities			5,132		4,288
Creditors: amounts falling due after more than one year	12		(1,076)		(513)
Net assets			4,056		3,775
Capital and reserves					
Called up share capital	13				-
Cash flow hedging reserve	14		(10)		(227)
Profit and loss account			4,066		4,002
Shareholder's funds			4,056		3,775

These financial statements were approved by the director on 28 September 2018 by:



S Nunn
 Director
 Registration number 02134862

Registered office:
 Apex Plaza
 Forbury Road
 Reading RG1 1AX

Statement of changes in equity
for the year ended 31 December 2017

	Called up share capital \$000	Cash flow hedging reserve \$000	Profit and loss account \$000	Total equity \$000
Balance at 1 January 2017	-	(227)	4,002	3,775
Total comprehensive income for the year				
Profit for the financial year	-	-	106	106
Other comprehensive income	-	217	(42)	175
Balance at 31 December 2017	<u>-</u>	<u>(10)</u>	<u>4,066</u>	<u>4,056</u>
Balance at 1 January 2016	-	(147)	2,819	2,672
Total comprehensive income for the year				
Profit for the financial year	-	-	1,167	1,167
Other comprehensive income	-	(80)	16	(64)
Balance at 31 December 2016	<u>-</u>	<u>(227)</u>	<u>4,002</u>	<u>3,775</u>

Cash flow statement
for the year ended 31 December 2017

	2017 \$000	2016 \$000
Cash flows from operating activities		
Profit for the financial year	106	1,167
<i>Adjustments for:</i>		
Depreciation	35	46
Foreign exchange losses	322	522
Interest receivable and similar income	(9)	(10)
Loss on sale of tangible fixed assets	8	9
Taxation	(48)	328
Decrease in trade and other debtors	281	3,116
Increase/(decrease) in trade and other creditors	146	(4,605)
Tax paid	(93)	(119)
Net cash from operating activities	748	454
Cash flows from investing activities		
Interest received	9	10
Acquisition of tangible fixed assets	(43)	(40)
Net cash from investing activities	(34)	(30)
Net increase in cash and cash equivalents	714	424
Cash and cash equivalents at 1 January	8,682	8,860
Effect of exchange rate fluctuations on cash held	(105)	(602)
Cash and cash equivalents at 31 December	9,291	8,682

Notes

(forming part of the financial statements)

1 Accounting policies

The Open Group Limited ("the Company") is a company limited by shares and incorporated in the U.K., domiciled and registered in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is US dollars. All amounts in the financial statements have been rounded to the nearest \$1,000, except where otherwise stated.

The Company's ultimate parent undertaking, The Open Group LLC, includes the Company in its consolidated financial statements. Its consolidated financial statements are not available to the public. The company is not therefore considered a qualifying entity (for the purposes of this FRS) and is unable to apply the disclosure exemptions available under FRS 102.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Measurement convention

The financial statements are prepared under the historical cost basis, except that derivative financial instruments are stated at fair value.

Going concern

The Company's business activities are set out in the strategic report. The Company has been profitable and the director expects this to continue. The Company has adequate net current assets and net assets and has substantial cash balances. In addition, the Company's ultimate parent undertaking works closely with its members and the director believes that Platinum members will continue to support the Group and the Company. The Company has entered into a transfer pricing arrangement with its ultimate parent undertaking, which allows the Company to charge certain costs plus a mark-up. This arrangement is expected to continue for the foreseeable future. The director therefore believes that the Company is well placed to manage its business risks successfully and is satisfied that the Company has and will maintain sufficient financial resources to enable it to continue operating in the foreseeable future. The director therefore continues to adopt the going concern basis in preparing the financial statements.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. The Company assesses at each reporting date whether tangible fixed assets are impaired. Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of tangible fixed assets. The estimated useful lives are as follows:

Leasehold improvements	- 3 to 5 years (or remaining life of lease if shorter)
Office equipment	- 3 years
Computer equipment and software	- 2 years
Furniture and fittings	- 3 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency (which is US dollars) at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges which are recognised in other comprehensive income.

Notes (continued)

1 Accounting policies (continued)

EC partner funds

The Company periodically receives cash from the European Commission (EC) in respect of EC-funded projects for which the Company is the co-ordinator. Such cash and the associated liability to other project partners are netted so that neither asset nor liability is presented in the Company's financial statements.

Leases

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability of cash flows of a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

Research and development

All of the Company's research and development costs are expensed as incurred.

Employee benefits

The Company makes contributions to two (2016: two) defined contribution pension plans. A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowance have been met to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Notes (continued)

1 Accounting policies (continued)

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Legal accruals

One of the objects of the Company is to actively defend its intellectual property and trademarks. An accrual is made based on advice from third party legal representatives where the Company is effectively committed to expenditure based on a management decision.

Bonus accrual

An accrual is made during each of the three years of the long-term incentive plan (see note 6), with the aggregate accrual at each year end representing the amount earned to date.

Turnover

Revenues recognised in respect of services performed on behalf of others within the Group are recognised as performed.

Membership fees and Platinum member funding are recognized as revenue on a straight-line basis over the membership period. Unearned amounts are reflected as deferred revenue in the balance sheet. Revenues received for the quarterly conferences are recognized on the completion of the event.

Certification revenues comprise fees paid for certification of products, services and people, annual fees for accredited certification partners, annual royalties for certified products and software licences and associated annual support fees. Certification fees are recognised on receipt. All annual fees are recognized on a straight-line basis over the period of service with the unearned amounts reflected as deferred revenues. Licence fees are recognized on delivery.

Revenues for Collaboration Services comprise annual fees of participation in supported consortia activities - these revenues are recognised on a straight line basis during the period of delivery with the balance being shown in deferred revenues; consulting services which are billed in accordance with the contract billing schedules and recognized based on delivery of those services; operation of certification programs for third parties with revenues being recognised on receipt; royalty fees for software licences which are paid quarterly in arrears and are recognized on receipt; funds received from government grants for technology-based projects which are recognized on a time and materials basis. Franchise fees derived from membership activities in the franchise operations are recognised quarterly in arrears. Amounts charged to fellow subsidiaries for management services are recognised when the services are performed.

Turnover is stated exclusive of VAT and settlement discounts.

Notes (continued)

2 Turnover

Turnover does not include any amounts for the sale of goods. Turnover from customers by location of customer for the year was as follows:

	2017 \$000	2016 \$000
Turnover from Group undertakings		
North America	12,121	7,836
Turnover from third party customers		
Europe	1,173	2,815
North America	312	3,050
Rest of the world	22	1,222
	<u>13,628</u>	<u>14,923</u>

3 Other operating expenses

	2017 \$000	2016 \$000
Distribution costs	1,265	1,168
Administration expenses	4,776	5,048
	<u>6,041</u>	<u>6,216</u>

4 Net interest and similar charges

	2017 \$000	2016 \$000
Net interest receivable on financial assets	9	10
Net foreign exchange losses	(322)	(522)
	<u>(313)</u>	<u>(512)</u>

5 Auditor's remuneration

Auditor's remuneration in respect of the audit of these financial statements and the financial statements of The Open Group LLC is \$62,000 (2016: \$60,000).

Notes (continued)

6 Staff numbers and costs

Staff costs (including director's emoluments):

	2017 \$000	2016 \$000
Wages and salaries	6,178	5,919
Social security costs	518	359
Pension costs	236	249
	<u>6,932</u>	<u>6,527</u>

Average monthly number of persons employed:

	2017 Number	2016 Number
Technical	16	17
Marketing, operations and publications	23	21
Administration	7	6
	<u>46</u>	<u>44</u>

Deferred compensation arrangements - long-term incentive plan

The Company operates a long-term incentive plan for eligible employees. Upon eligibility the Company will provide a percentage of the annual compensation, as defined, of the employee to be paid as a bonus at the end of the three-year bonus period determined by management. The final amount of the bonus is dependent on Group performance in each of the three years of the plan. The percentage entitlement is currently between 15% and 50% of annual salary based upon grade or seniority.

7 Remuneration of director

	2017 \$000	2016 \$000
Director's emoluments	315	326
Amounts receivable under long-term incentive schemes	135	100
Contributions to pension scheme:		
Contributions to pension scheme	23	21
	<u>473</u>	<u>447</u>

Retirement benefits are accruing for one (2016: one) director under a money purchase pension scheme in respect of qualifying services. Remuneration of the highest-paid director was \$473,000 (2016: \$282,000). The amounts receivable under long term incentive schemes relate to the director's entitlement under the long-term incentive plan described in note 6, which will be paid at the end of the three-year bonus period.

Notes (continued)

8 Taxation

Analysis of charge in period

	2017 \$000	2016 \$000
<i>UK corporation tax</i>		
Current tax on income for the period	137	159
Receipt of R&D tax credit in respect of prior periods	(127)	33
	<u>10</u>	<u>192</u>
<i>Deferred tax</i>		
Timing differences	(58)	136
Tax (credit)/expense included in profit and loss account	<u>(48)</u>	<u>328</u>

	2017 \$000 Current tax	2017 \$000 Deferred tax	2017 \$000 Total tax	2016 \$000 Current tax	2016 \$000 Deferred tax	2016 \$000 Total tax
Recognised in profit and loss account	10	(58)	(48)	192	136	328
Recognised in other comprehensive income	-	42	42	-	(16)	(16)
Total Tax	<u>10</u>	<u>(16)</u>	<u>(6)</u>	<u>192</u>	<u>120</u>	<u>312</u>

In the 8th July 2015 Budget, the government announced a reduction in the Corporation Tax rate from 20% to 19% for the Financial Years beginning 1st April 2017, 1st April 2018 and 1st April 2019, with a further reduction from 19% to 18% for the Financial Year beginning 1st April 2020. In the 16th March 2016 Budget the Chancellor announced plans to further reduce the Corporation Tax rate to 17% for the Financial Year beginning 1st April 2020. This will reduce the Company's future current tax charge accordingly. The deferred tax assets at 31 December 2017 have been calculated based on the substantively enacted tax rates that are relevant to the financial years in which the temporary differences are expected to unwind.

Reconciliation of effective tax rate

	2017 \$000	2016 \$000
Profit for the year	106	1,167
Total tax expense	(48)	328
Profit excluding taxation	<u>58</u>	<u>1,495</u>
Tax using the UK corporation tax rate of 19.25% (2016: 20%)	11	299
Non-deductible expenses	108	17
Other	(40)	(21)
Receipt of R&D tax credit in respect of prior periods	(127)	33
Total tax (credit)/expense included in profit and loss account	<u>(48)</u>	<u>328</u>

Notes (continued)

9 Tangible fixed assets

	Furniture, fittings and office equipment \$000	Computer equipment and software \$000	Total \$000
<i>Cost</i>			
At beginning of year	157	533	690
Additions	-	43	43
Disposals	(11)	(60)	(71)
	<hr/>	<hr/>	<hr/>
At end of year	146	516	662
	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation</i>			
At beginning of year	151	480	631
Charge for year	4	31	35
Disposals	(11)	(52)	(63)
	<hr/>	<hr/>	<hr/>
At end of year	144	459	603
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2017	2	57	59
	<hr/>	<hr/>	<hr/>
At 31 December 2016	6	53	59
	<hr/>	<hr/>	<hr/>

Notes (continued)

10 Debtors

Amounts falling due within one year:

	2017 \$000	2016 \$000
Trade debtors	2	179
Prepayments	482	603
Other taxes and social security costs	23	6
	<u>507</u>	<u>788</u>

Amounts falling due after more than one year:

	2017 \$000	2016 \$000
Deferred tax asset	205	105
	<u>205</u>	<u>105</u>

The deferred tax asset stems from short-term timing differences between the financial years when long-term incentive costs are incurred and the periods when they are deductible tax expenses.

11 Creditors: amounts falling due within one year

	2017 \$000	2016 \$000
Deferred income	1,122	1,946
Trade creditors	259	187
Amounts owed to group undertakings	1,624	1,178
Corporation tax	28	165
Accruals	1,897	1,870
	<u>4,930</u>	<u>5,346</u>

With respect to amounts owed to group undertakings, the related parties allow for net settlement with net payments which are repayable on demand and do not accrue interest.

12 Creditors: amounts falling due after more than one year

	2017 \$000	2016 \$000
Accruals	<u>1,076</u>	<u>513</u>

Notes (continued)

13 Called-up share capital

	2017	2016
	£	£
<i>Allotted, called up, and fully paid</i>		
21 ordinary shares of £1 each	21	21

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

14 Reserves

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

15 Financial instruments

	2017	2016
	\$000	\$000
<i>Financial assets that are debt instruments measured at amortised cost</i>		
Trade debtors	2	179
Other debtors	-	-
<i>Financial liabilities measured at amortised cost</i>		
Trade creditors	259	187
Other creditors	1,624	1,178

The Company enters into forward currency exchange contracts in the normal course of business to hedge the exposure of future costs denominated in sterling. The contracts are treated as cash flow hedges with the fair value recognised initially in the balance sheet via other comprehensive income, and subsequently the fair value is transferred to profit and loss when the contract is used.

The cumulative fair value adjustment in respect of unsettled forward foreign exchange contracts held at the balance sheet date is calculated with reference to the bank providing the contract and is a cumulative loss of \$10,000 (2016: cumulative loss of \$227,000). The expected future cash flows in respect of these contracts is \$3,000,000 (2016: \$1,890,000). These cash flows will incur within the following 12 months and are expected to affect profit or loss within the next 12 months.

16 Operating lease commitments

At 31 December, the future minimum lease payments under non-cancellable leases were payable as follows:

	2017	2016
	\$000	\$000
Less than one year	88	97
Between one and five years	133	221
More than five years	-	-
	221	318

During the year \$196,000 was recognised as an expense in the profit and loss account in respect of operating leases for property (2016: \$410,000).

Notes (continued)

17 Pensions

The Company makes contributions to a number of defined contribution pension schemes. The total expense relating to these plans in the current year was \$236,000 (2016: \$249,000).

18 Ultimate parent company

The Company is controlled by its parent company, The Open Group LLC, based at Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA. The only group in which the results of the Company are consolidated is that headed by The Open Group LLC. The accounts of the parent company are not publicly available.

19 Related party transactions

Total compensation of key management personnel (including the director) in the year amounted to \$2,616,000 (2016: \$2,748,000).

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding as at 31 December, were as follows:

	Sales to related party \$000	Purchases from related party \$000	Amounts owed from related party \$000	Amounts owed to related party \$000
<i>The Open Group LLC</i>				
2017	12,121	-	-	2,101
2016	7,836	-	-	1,448
<i>Other entities with significant influence over the company</i>				
2017	159	-	4	-
2016	148	-	51	-
<i>Entities controlled by other related parties</i>				
2017	-	-	-	-
2016	-	-	-	-