

Abacus Software Limited

Report and Financial Statements

Year Ended

31 December 2015

Company Number 03387095

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Abacus Software Limited

Report and financial statements for the year ended 31 December 2015

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Directors

F Amaro
S Cave
M B Durham
I J Eckert
S Feigen
D J Murphy
J D G Willis

Secretary and registered office

A C T Lord

Chancery Exchange
10, Furnival Street
London EC4A 1YH

Company number

03387095

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Abacus Software Limited

Strategic report for the year ended 31 December 2015

Chairman's message

2015 was an acceptable year for the Company: disappointing revenue growth was tempered by cost control to show a substantial decrease in loss for the year. On a stable cost base our continued focus for 2016 will be profitable revenue growth via winning new clients and continuing to transition clients to our Advance and CMS platforms in order to realise the scale benefits from licence revenues. The launch of the CMS out-of-the-box SaaS will address new mid-market clients.

An increasing proportion of revenues are recurring (58%), comprising licences, SaaS, support and hosting, and we expect this to increase in future. Once clients have been migrated onto Webvision and/ or Advance, which generates project revenues from onboarding clients onto the platforms, churn level is expected to be low due to the proportionally higher onboarding costs.

Business model

Abacus Software Limited (trading as Abacus eMedia Ltd) enables content owners to successfully translate digital strategy into digital business. We help publishers, public sector and member bodies to realise their digital potential by developing great content, maximising audience engagement and monetising their content.

Strategy

This Strategic Report sets out the Company's strategy and objectives and includes reviews of each of our key product areas. Our core publishing markets continue to offer good opportunities for us to generate attractive returns over the long term and we have made further progress in the membership organisation sector. As the market continues its shift to Software as a Service (SaaS), the Company is strategically placed to benefit.

Audience Management - Advance

As a SaaS, Advance enables publishers and member bodies to create, market, package and fulfil both online and print product orders quickly and seamlessly. It can improve the service delivery process while enhancing audience engagement through:

- better, flexible, responsive digital product management;
- better subscription and registration processes and data collection;
- easier digital (and print) entitlement, access control and CMS interaction;
- synchronising user transaction, registration and website activity giving a complete customer view and making all that data available in a usable form through segmentation and data analysis tools.

The Advance platform offers a range of functional modules and services to meet the business and operational requirements of the modern day content provider. It also provides a powerful suite of cloud-based tools that enable our clients to manage renewals, specify bundles, promotions and pricing for current digital products. As it draws data from disparate sources, such as web registrations, print subscriptions and payment systems, it presents a complete view of the user's total audience, enabling them to track behaviour and identify new digital product development opportunities. Advance also facilitates corporate subscription management and institutional access tools, allowing multiple IP user access for organisations.

Advance has helped many major publishers and member bodies to manage their audience, including Centaur, the Royal Pharmaceutical Society, Condé Nast and The Law Society.

Abacus Software Limited

Strategic report for the year ended 31 December 2015 (continued)

Advance (continued)

Advance had a good year in 2015, boosting recurring revenues while continuing to invest in developing its service offering and capabilities. There are now 21 clients on the platform, with Bauer, Aspermont Australia and Cabinet Maker as new additions in the year. Advance generated revenues of £986k in 2015, representing 19% of total, of which £264k (5% of total revenues) was from project-work and £722k (14%) from recurring revenues. The volume of project work in the year was lower than we would have liked, but we expect that improved product positioning and the advent of the new Webvision Cloud product will support increased activity in 2016.

During the year major enhancements were introduced to better support the development of corporate subscriptions and free trials. We also developed additional user journeys to enhance the sales proposition and introduced the concept of modular workflows to allow greater flexibility of user journeys and extend the potential client base, while dynamic messaging now enables an offer or action to be presented to an online user based on their behaviour or a data trigger. We also delivered support for additional payment platforms and updated functionality to comply with new EU VAT regulations.

Development work during the year concentrated on corporate order self-service, which is critical for many clients, and enhancing integration with third party platforms as well as improving the scalability of the platform. The user experience will continue to be at the forefront of Advance's proposition.

Advance is expected to be the main revenue growth driver in future, providing today's content and membership-driven businesses with the means to generate and maximise their digital revenue. Having developed a uniquely functional platform for this purpose, we are now focusing on operational profitability and will continue the improvements experienced this year in reducing onboarding and support costs.

CMS Webvision

CMS continues to generate the majority (66%) of revenues via both project work and licence revenue. Total revenue of £3.48m comprised £1.61m (31% of total) of recurring and £1.87m (36%) of project revenue, a 10% increase on prior year.

Webvision is an open-architecture content management system (CMS) that sits at the heart of digital strategy execution. The platform gives editors and content owners the ability to create content once and publish across multiple channels: via print, digital, mobile and tablet. It supports the personalisation of that content and also gives editors the ability to create new digital products within the CMS, with minimal technical involvement.

Webvision is currently driving content for industry leading publishers and member bodies, including Centaur, EMAP, Thomson Reuters, The Royal Pharmaceutical Society and The Law Society.

Critically, Webvision combines with ADvance to offer uniquely flexible gating and personalisation of content, and the two products together make up a high specification experience management platform.

The key development in 2015 was the investment in building a lower cost out-of-the-box SaaS solution incorporating both Webvision and ADvance. Currently called Webvision Cloud, this should be very attractive to small and mid-size publishers and membership organisations. The first sale on the new platform has been made, and the product is due to launch in April 2016.

Abacus Software Limited

Strategic report for the year ended 31 December 2015 (*continued*)

Recruit

Recruit is a flexible talent management, recruitment and application tracking system specifically developed for the public sector. Although primarily a back-end application, it includes support for the customers' job sites, which are rebranded to suit individual clients. From creating posts, with associated application forms, job descriptions and person specifications, through advert creation and web site display, and the handling and short-listing of online applications, Recruit enables all aspects of the recruitment and talent management process.

Delivered as a SaaS since 2010 the Recruit business is increasingly profitable and continues to offer a low cost solution to predominantly public sector clients. Revenue for the year was £328k (6% of total), in line with prior year, of which £245k (5%) was for recurring and £83k (2%) was for project work. During the year Recruit was rolled out to Lewisham Council, Doncaster Children's Services and Doncaster Borough Council in line with the stated strategy to add three to four new clients each year while maintaining the existing clients and functionality. Ashfield and Mansfield and the Royal Borough of Greenwich are new clients for 2016.

Going Concern Basis

The Company's business activities, together with the principal risk factors likely to affect its future development, performance and position are set out in the Strategic Report.

A number of principal risk factors could potentially affect the Company's results and financial position. In particular the current economic climate creates uncertainties over the level of demand for the Company's products and services. The Group adopts an extensive budgeting process in forecasting its trading results and cash flows and updates these forecasts to reflect current trading on a regular basis.

The Company's net debt, banking covenants and liquidity risk are shown in the Notes to the Accounts.

The Company sensitises its projections to reflect possible changes in trading performance and cash conversions. These forecasts and projections show that the Company is expected to be able to operate within the level of its current facility and meet its covenant requirements for a period of one year from the date of the signing of the Company's financial statements for the year ended 31 December 2015.

After making enquiries, the directors have a reasonable expectation that there are no material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Abacus Software Limited

Strategic report for the year ended 31 December 2015 (continued)

Key performance indicators	2015	2014
Turnover (£'000)	5,268	4,748
<i>As the prime measure of our economic output, revenue growth is key to measuring shareholder return and the success of our expansion strategies.</i>		
Recurring revenue (£'000)	3,053	2,542
Proportion of recurring revenue (%)	58%	54%
<i>The proportion of recurring revenue is a measure of the strategy of rolling out scalable repeat revenues after migration onto our platforms</i>		
Operating margin (%)	(17%)	(33%)
Operating margin (£'000)	(878)	(1,565)
<i>Operating margin provides an indication of the quality of turnover growth and is also a measure of scalability of recurring revenue</i>		

Principal risks and uncertainties

It is important to ensure we have effective and proportionate processes in place to control and manage risks faced by the Company. A number of factors could potentially affect the Company's operating results and financial position, which have been identified by an assessment of their material impact and relative likelihood and are described here. They are categorised as financial, commercial, reputational or regulatory risks, and policies and procedures have been implemented to assist with risk management.

This section describes the principal risk factors that the Directors believe could materially affect the Company, but this is not an exhaustive list as other risks may arise or existing risks may materially increase in the future.

Financial

- **Currency risk:** the vast majority of the Company's revenue is invoiced in Pounds Sterling, therefore the Company has minimal exposure to currency risk and no hedging instruments are deemed to be required.
- **Liquidity and cash flow risk:** following additional funding in December 2014, the Directors believe that the Company has sufficient working capital and growth funding in place for the foreseeable future with which to both develop the business and maintain day-to-day trading activities. The Company continues to enjoy the support of our major investors, the Business Growth Fund.

Commercial

- **Reliance on or loss of key customers may reduce demand for the Company's services:** in recent years, more public sources of free or relatively inexpensive publishing software have become available, particularly through the internet. To mitigate the risk, the Company continuously monitors changes in the market place and seeks feedback from both existing and potential customers, in order to keep the product offering relevant and competitive.
- **The Company relies on the experience and talent of its senior management and on its ability to recruit and retain key employees.** The Company offers competitive salaries and many employees are also shareholders in the Company. Staff are given work which challenges and motivates them, as evidenced by the low levels of staff turnover.

Abacus Software Limited

Strategic report
for the year ended 31 December 2015 (*continued*)

Reputational

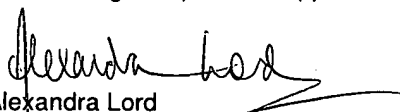
- **Breaches of the Company's information security systems or other unauthorized access to its sensitive information could adversely impact the Company's reputation.** This could also result in litigation and regulatory breaches. The Group regularly invests in improving information security to protect the integrity, confidentiality and availability of its data against attack and has a number of procedures and processes in place to mitigate this.

Regulatory

- **The Company is subject to regulation regarding the protection and use of personal data.** The Company monitors ongoing changes to data protections laws and seeks to implement best practice in order to ensure that the appropriate procedures and protections are in place. PCI and BACS compliance is a requirement for the Bureau in order to process credit card transactions and an external audit is undertaken every three years. PCI Compliance is a standing matter at all Board Meetings. The Group is working towards achieving ISO 27001 in 2016.
- **The Company relies on achieving and maintaining quality accreditations, such as ISO 9001, as minimum requirements for some clients, especially public sector.** There is a risk that if we do not pass these regular quality audits, then clients may be lost and it will not be possible to win certain new clients. To mitigate this risk, there is a dedicated member of staff responsible for risk and compliance and the ISO 9001: 2008 audit was passed successfully in January 2016.

Approval

This Strategic Report was approved by order of the Board on 26th May 2016


Alexandra Lord

Secretary

Abacus Software Limited

Report of the directors for the year ended 31 December 2015

Directors

The directors of the company throughout the year were:

F Amaro
S Cave
M B Durham
I J Eckert
S Feigen
D J Murphy
J D G Willis

The Company has in place qualifying third party directors indemnity insurance.

Research and development

The Company continues to invest in research and development. Development costs in respect of new Advance products have been capitalised in the balance sheet whereas ongoing maintenance costs in relation to CMS Webvision and Recruit are expensed as they are incurred. The amount of development costs capitalised in the year was £470,237 and the total amount of R&D in the year was £839,342.

Existence of branches of the Company outside of the United Kingdom

The company has no branches outside of the United Kingdom.

Employment of disabled persons

The Company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Particular attention is given to the training and promotion of disabled employees to ensure that their career development is not unfairly restricted by their disability, or perceptions of it.

The group's HR procedures make clear that full and fair consideration must be given to applications made by and the promotion of disabled persons. Where an employee becomes disabled whilst employed by the group, the HR procedures also require that reasonable effort is made to ensure they have the opportunity for continued employment within the group. Retraining of employees who become disabled whilst employed by the company is offered where appropriate.

Employee involvement

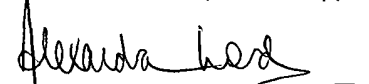
The group maintains an HR intranet site and Company handbook that provide employees with information on matters of concern to them as employees.

Auditors

All of the directors as at the date of this report have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the Company's auditor is unaware.

Approval

This Directors' Report was approved by order of the Board on 26th May 2016



Alexandra Lord

Secretary

Abacus Software Limited

Statement of directors' responsibilities

Directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

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

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

Abacus Software Limited

Independent auditor's report

TO THE MEMBERS OF ABACUS SOFTWARE LIMITED

We have audited the financial statements of Abacus Software Limited for the year ended 31 December 2015 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the year for which the financial statements are prepared is consistent with the financial statements.

Abacus Software Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

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

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

BDO LLP

26th May 2016

Nicole Martin (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
55 Baker Street, London, W1U 7EU

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Abacus Software Limited

Statement of Comprehensive Income for the year ended 31 December 2015

	Note	Total 2015 £	Total 2014 £
Turnover	3	5,268,473	4,748,435
Cost of sales		(690,424)	(607,754)
Gross profit		4,578,049	4,140,281
Administrative expenses		(5,422,930)	(5,705,630)
Operating loss	4	(844,881)	(1,565,349)
Other interest receivable and similar income		11	12
Interest payable and similar charges	7	(12,409)	(19,462)
Loss on ordinary activities before taxation		(857,279)	(1,584,799)
Taxation on loss on ordinary activities	8	161,258	471,447
Total comprehensive loss for the year		(696,021)	(1,113,352)

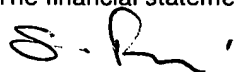
The notes on pages 13 to 23 form part of these financial statements.

Abacus Software Limited

Balance sheet at 31 December 2015

Company number 03387095	Note	2015 £	2015 £	2014 £	2014 £
Fixed assets					
Intangible assets	9		1,796,138		1,894,910
Tangible assets	10		152,499		170,088
Investments	11		33,333		33,333
			<u>1,981,970</u>		<u>2,098,331</u>
Current assets					
Debtors	12	1,839,516		1,741,223	
Cash at bank and in hand		1,140		474,755	
		<u>1,840,656</u>		<u>2,215,978</u>	
Creditors: amounts falling due within one year	13	(2,309,850)		(2,147,953)	
Net current (liabilities)/ assets			<u>(469,194)</u>		<u>68,025</u>
Total assets less current liabilities			<u>1,512,776</u>		<u>2,166,356</u>
Creditors: amounts falling due after more than one year	14		(2,656,569)		(2,782,799)
Provisions for liabilities	15		(287,271)		(118,600)
Net (liabilities)			<u>(1,431,064)</u>		<u>(735,043)</u>
Capital and reserves					
Called up share capital	18		1,000		1,000
Profit and loss account			(1,432,064)		(736,043)
Equity attributable to owners of the parent company			<u>(1,431,064)</u>		<u>(735,043)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 26th May 2016



Steve Feigen
Director

The notes on pages 13 to 23 form part of these financial statements.

Abacus Software Limited

Statement of changes in equity for the year ended 31 December 2015

	Share capital £	Profit and loss account £	Total equity £
1 January 2015	1,000	(736,043)	(735,043)
Total comprehensive loss for the year	-	(696,021)	(696,021)
31 December 2015	1,000	(1,432,064)	(1,431,064)
For the year ended 31 December 2014	Share capital £	Profit and loss account £	Total equity £
1 January 2014	1,000	377,309	378,309
Total comprehensive loss for the year	-	(1,113,352)	(1,113,352)
31 December 2014	1,000	(736,043)	(735,043)

The notes on pages 13 to 23 form part of these financial statements.

Abacus Software Limited

Notes forming part of the financial statements for the year ended 31 December 2015

1 Accounting policies

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015. There is no impact on the accounts from the first-time adoption of FRS 102.

Under FRS 102, an intangible asset acquired in a business combination is normally recognised as an asset because its fair value can be measured with sufficient reliability. Under UK GAAP, an intangible asset acquired as part of a business acquisition should be capitalised separately from goodwill if its value be reliably measured on initial recognition. As Abacus has intangible assets which were acquired prior to the adoption of FRS 102, it has chosen to continue to recognise these under UK GAAP.

The Company has taken advantage of the exemption from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90% or more of the voting rights are controlled within the Group.

Abacus has chosen not to disclose related party transactions with Urdgrup Ltd, its parent company.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Company's management to exercise judgement in applying the Company's accounting policies.

Going concern

The Company made a loss during the period of £696,021 and has net liabilities at the period end of £1,431,064. The Company is financed by long term loans from its parent undertaking, Urdgrup Limited. There is also a bank overdraft facility.

The Directors have prepared a forecast including cash flow projections and covenant tests that indicate that the Company will be able to meet its commitments for at least the 12 months following the approval of these accounts. The main assumption within the forecast which could be affected by conditions outside of the direct control of Directors is sales, especially to new clients. Sensitivity testing is performed by the Directors to validate that the Company is still able to meet its commitments despite potentially lower revenue growth.

Since the balance sheet date the Company and parent Group's performance has been in line with its current business plan. The Directors therefore consider it appropriate that the financial statements are prepared on a going concern basis.

The following principal accounting policies have been applied:

Revenue

Revenue from the sales of goods is recognised when the Company has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Company will receive the previously agreed upon payment. For subscription contracts, including licence, support and hosting, the Group defers recognition of revenue over the period of the subscription as the Group has an obligation to provide these ongoing services to the buyer over a fixed time period.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Abacus Software Limited

Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

1 Accounting policies (*continued*)

Depreciation

Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Leasehold improvements	- the term of the lease
Fixtures, fittings and equipment	- 4-5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Valuation of investments

Investments in unlisted company shares, which have been classified as fixed asset investments as the Company intends to hold them on a continuing basis, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Intangible assets

a) Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition is included in 'intangible assets'. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life of twenty years.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

b) Research and development costs

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

The expected useful economic life of development costs are estimated based on business plans which set out the development plan and time to market for the associated project.

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

Abacus Software Limited

Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

1 Accounting policies (*continued*)

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively. The current income tax charge is calculated on the basis of tax rates and laws in the UK.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

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

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the profit and loss account is charged with the fair value of goods and services received.

Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximately to ownership (finance leases), the assets are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Abacus Software Limited

Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

1 Accounting policies (*continued*)

Leased assets: lessee (continued)

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

Pension costs

Contributions to the group's defined contribution pension scheme are charged to profit or loss in the year in which they become payable.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the Company as a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the Company's intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the business..

Other key sources of estimation uncertainty

- *Deferred tax assets*

Deferred tax is recognised in respect of relevant trading losses that have been incurred at the balance sheet date, which have arisen over the past two years. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. The deferred tax assets and liabilities are not discounted.

The directors, after considering the cash and profitability forecasts, the strategy and growth assumptions, consider the deferred tax asset to be recoverable and appropriately recognised in the financial information.

Abacus Software Limited

Notes forming part of the financial statements
for the year ended 31 December 2015 (continued)

3 Analysis of turnover

	2015 £	2014 £
Analysis by type of revenue:		
Recurring	3,052,904	2,541,553
Project	2,215,569	2,206,482
	<hr/> 5,268,473	<hr/> 4,748,035
Analysis of turnover by country of destination:		
United Kingdom	4,626,205	4,668,972
Rest of the world	642,268	79,063
	<hr/> 5,268,473	<hr/> 4,748,035

4 Operating loss

	2015 £	2014 £
This is arrived at after charging:		
Research and development	227,982	402,018
Depreciation of tangible fixed assets	91,695	87,902
Amortisation of intangible assets, including goodwill	569,009	470,119
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	14,500	12,500
Fees payable to the company's auditor and its associates for other services to the group: taxation compliance services	4,375	-
Exchange differences	15,054	-
Defined contribution pension cost	58,575	46,000
	<hr/>	<hr/>

5 Employees

	2015 £	2014 £
Staff costs (including directors) consist of:		
Wages and salaries	3,413,914	3,423,859
Social security costs	381,310	381,326
Cost of defined contribution pension scheme	58,575	46,000
	<hr/> 3,853,799	<hr/> 3,851,185

The average number of employees (including directors) during the year was as follows:

	2015 Number	2014 Number
Office and management	10	10
Sales and marketing	6	6
Delivery services	55	64
	<hr/> 71	<hr/> 80

Abacus Software Limited

Notes forming part of the financial statements for the year ended 31 December 2015 (continued)

5 Employees (continued)

A defined contribution pension scheme is operated by the Company on behalf of employees. The assets of the scheme are held separately in an independently administered fund. The pension charge represents contributions payable by the Company to the fund and amounted to £58,575 (2014: £46,000).

6 Directors' remuneration

	2015 £	2014 £
Directors' emoluments	617,703	622,343
Company contributions to money purchase pension schemes	36,659	31,800
	<hr/>	<hr/>
9	654,362	654,143
	<hr/>	<hr/>

There were six directors in the Company's defined contribution pension scheme (2014: one).

7 Interest payable and similar charges

	2015 £	2014 £
Bank loans and overdrafts	2,744	4,806
Finance leases	9,665	14,656
	<hr/>	<hr/>
	12,409	19,462
	<hr/>	<hr/>

8 Taxation on loss on ordinary activities

	2015 £	2014 £
<i>UK corporation tax</i>		
Current tax on loss for the year	-	-
R&D tax credit	(219,121)	(268,344)
	<hr/>	<hr/>
Total current tax	(219,121)	(268,344)
<i>Deferred tax</i>		
Origination and reversal of timing differences	66,530	(134,743)
Adjustment in respect of previous periods	(8,667)	(68,360)
	<hr/>	<hr/>
Total deferred tax	57,863	(203,103)
	<hr/>	<hr/>
Taxation on loss on ordinary activities	(161,258)	(471,447)
	<hr/>	<hr/>

Abacus Software Limited

Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

8 Taxation on loss on ordinary activities (*continued*)

The tax assessed for the year is lower than the standard rate of corporation tax in the UK applied to loss before tax. The differences are explained below.

	2015 £	2014 £
Loss on ordinary activities before taxation	(857,279)	(1,584,799)
Tax on loss on ordinary activities at standard UK corporation tax rate of 20.25% (2014: 21.5%)	(173,599)	(340,732)
Effects of:		
Expenses not deductible for tax purposes	488	1,805
Unrecognised tax losses	104,358	-
Additional deduction for R&D expenditure	(168,125)	(239,756)
Surrender of tax losses for R&D tax credit refund	84,767	157,985
Adjustment in respect of prior years	(8,667)	(68,360)
Other timing differences	(480)	17,611
Current tax credit for the period	(161,258)	(471,447)

In 2015 the company has £104,358 (2014 - £Nil) of unrecognised tax losses carried forward.

9 Intangible assets

	Development costs £	Goodwill on consolidation £	Total £
<i>Cost or valuation</i>			
At 1 January 2015	2,546,964	234,874	2,781,838
Additions	470,237	-	470,237
At 31 December 2015	3,017,201	234,874	3,252,075
<i>Amortisation</i>			
At 1 January 2015	848,755	38,173	886,928
Provision for year	557,261	11,748	569,009
At 31 December 2015	1,406,016	49,921	1,455,937
<i>Net book value</i>			
At 31 December 2015	1,611,185	184,953	1,796,138
At 31 December 2014	1,698,209	196,701	1,894,910

Abacus Software Limited

Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

10 Tangible fixed assets

	Leasehold improvements £	Fixtures, fittings and equipment £	Total £
<i>Cost or valuation</i>			
At 1 January 2015	127,756	266,466	394,222
Additions	86,184	1,697	87,881
Disposals	(30,296)	(93,513)	(123,809)
At 31 December 2015	183,644	174,650	358,294
<i>Depreciation</i>			
At 1 January 2015	62,783	161,351	224,134
Charge for year	48,988	42,707	91,695
Disposals	(30,296)	(79,738)	(110,034)
At 31 December 2015	81,475	124,320	205,795
<i>Net book value</i>			
At 31 December 2015	102,169	50,330	152,499
At 31 December 2014	64,973	105,115	170,088

Finance Leases

The net book value of fixtures, fittings and equipment includes an amount of £29,754 (2014: £37,192) in respect of assets held under finance leases.

11 Fixed asset investments

	Total £
<i>Cost</i>	
At 1 January 2015 and 31 December 2015	33,333

Other investments are shares in other unlisted companies which have been measured at fair value.

12 Debtors

	2015 £	2014 £
Trade debtors	1,134,247	964,137
Other debtors	219,425	223,662
Prepayments, WIP and accrued income	266,723	285,080
Corporation tax recoverable	219,121	268,344
	1,839,516	1,741,223

No debtors are due after more than one year.

Abacus Software Limited

Notes forming part of the financial statements for the year ended 31 December 2015 (continued)

13 Creditors: amounts falling due within one year

	2015 £	2014 £
Bank overdrafts (secured)	52,118	-
Trade creditors	482,434	181,818
Taxation and social security	353,148	295,497
Obligations under finance lease and hire purchase contracts	1,599	19,191
Other creditors	10,494	49,257
Accruals and deferred income	1,410,057	1,577,566
	<u>2,309,850</u>	<u>2,123,329</u>

The bank overdraft is secured by a fixed and floating charge over the assets of the Company. Included within other creditors are outstanding pension contributions of £4,655 (2014: £1,768). Additionally, finance leases totalling £1,599 (2014: £20,790) were secured against the assets to which they relate.

14 Creditors: amounts falling due after more than one year

	2015 £	2014 £
Obligations under finance leases	-	1,599
Amounts owed to Group undertakings	2,656,569	2,781,200
	<u>2,656,569</u>	<u>2,782,799</u>

Total of future minimum lease payments under finance leases:

	2015 £	2014 £
Not later than 1 year	1,599	19,191
Later than 1 year and not later than 5 years	-	1,599
	<u>1,599</u>	<u>20,790</u>

15 Provisions for liabilities

	Deferred taxation (Note 17) £	Dilapidations £	Total £
At 1 January 2015	118,600	86,184	204,784
Charged to profit or loss	57,863	24,624	82,487
	<u>176,463</u>	<u>110,808</u>	<u>287,271</u>

In the prior year accounts, dilapidations of £86,184 were included within accruals rather than provisions

Abacus Software Limited

Notes forming part of the financial statements for the year ended 31 December 2015 (continued)

16 Pensions

The amount recognised in the profit and loss account as an expense in relation to the group's defined contribution schemes is £ (2014 - £58,575).

17 Deferred taxation

	2015 £'000	2014 £'000
Accelerated capital allowances	286,814	351,233
Short term timing differences	(2,638)	-
Tax losses	(107,713)	(232,633)
	<hr/>	<hr/>
Deferred tax liability	176,463	118,600
	<hr/>	<hr/>

18 Share capital

	2015 £	2014 £
<i>Allotted, called up and fully paid</i>		
75,000 A Ordinary shares of 1p each	750	750
25,000 B Ordinary shares of 1p each	250	250
	<hr/>	<hr/>
	1,000	1,000
	<hr/>	<hr/>

19 Share based payment

The following information is relevant in the determination of the fair value of options granted during previous years under the equity-settled share based remuneration schemes operated by Abacus Software Limited.

	2015	2014
Equity-settled		
Option pricing model used	Black-Scholes	Black-Scholes
Weighted average share price at grant date (pence)	0.049p	0.049p
Exercise price (pence)	1.05p	1.05p
Weighted average contractual life (years)	10	10
Expected volatility	25%	25%
Expected dividend growth rate	-	-
Risk-free interest rate	0.72%	0.72%
	<hr/>	<hr/>

The Black-Scholes option pricing model was used to value the share-based payment awards as it was considered that this approach would result in materially accurate estimate of the fair value of options granted.

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last three years of comparable publically quoted companies.

No amount was charged to the accounts in both years as the amount was not material.

Abacus Software Limited

Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

20 Commitments under operating leases

The Company had minimum lease payments under non-cancellable operating leases as set out below:

	Property plant and equipment 2015 £	Property plant and equipment 2014 £
Not later than 1 year	27,483	11,563
Later than 1 year and not later than 5 years	792,390	1,104,035
	<hr/>	<hr/>
Total	820,273	1,115,598
	<hr/>	<hr/>

21 Related party disclosures

The ultimate controlling party of the Company is Urdgrup Limited. There is no ultimate controlling party of Urdgrup Limited.

During the year the Company received marketing services from Mrs M Templeman, wife of Mr S Feigen a Director of the Company, and a loan holder in the parent company, Urdgrup Limited, to the value of £29,963 (2014: £32,600).

During the year the Company purchased services from Gowi Doo, a shareholder in the parent Company, Urdgrup Limited, totalling £376,824 (2014: £501,155). All transactions were conducted on an arm's length basis on normal trading terms.

The Company has taken advantage of the exemption within FRS 102 not to disclose with its parent company on the grounds that it is a wholly owned subsidiary.