

in4systems Limited

Report and Financial Statements

30 April 2017

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COMPANIES HOUSE

Directors

J Buckland
J P G Doughty
D J Tobin

Auditor

Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne NE1 4JD

Registered Office

3rd Floor Central Square
Forth Street,
Newcastle Upon Tyne, NE1 3PJ

Registered No. 03792496

Directors' report

The directors present their report and financial statements for the year ended 30 April 2017.

Results and dividends

The profit for the period after taxation amounted to £31,905 (2016 – loss of £411,282). The directors do not recommend payment of a dividend (2016 – £nil).

Principal activities and review of the business

The company's principal activities during the period were the development and supply of application software together with the supply of related services and support to the UK Social Housing sector.

Following the acquisition of the company by Orchard Information Systems Limited in 2013, substantial investments have been made in human capital, technology and operating infrastructure to enable advantage to be taken of the strong continuing demand and opportunities for the company's products, both in the UK social housing sector and beyond.

The business has continued on a significant growth trajectory during the year and the directors are delighted to report that the company has made an operating profit for the first time since acquisition. The Board is confident that the investment made since the acquisition has now provided a strong platform for future growth.

During the year sales of Promaster were made to a number of Orchard's customers.

Orchard will continue to make investments in the company to better enable it to develop its software products and services in order to take advantage of the opportunities in its market for asset management and workforce scheduling applications.

Going concern

The directors have considered the company's current and future prospects and its availability of cash resources. Orchard Information Systems Limited has given an undertaking that it will continue to provide adequate financial support to the company. With this support, the directors are satisfied that the company can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. For this reason the directors continue to adopt the going concern basis of preparation for these financial statements.

Future developments

The directors believe that as part of the Orchard group of companies, in4systems Limited will be able to sustain and develop its existing strong market position to obtain further organic growth in 2017 and beyond.

Directors

The directors who served the company during the year, and up to the date of the approval of these financial statements were:

J Buckland
J P G Doughty
D J Tobin (appointed 6 June 2016)
N J Lambert (retired 29 July 2016)

Directors' report

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

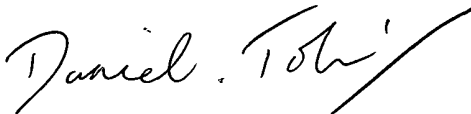
Auditor

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

Small company provisions

This report has been prepared in accordance with the special provisions of Section 419(2) of the Companies Act 2006 relating to small entities. The company has taken advantage of the exemption under Section 414A of the Companies Act 2006 in not preparing the Strategic Report.

By order of the Board



D Tobin
Director
30 June 2017

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 FRS102 "The Financial Reporting standard applicable in the UK and the 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 judgments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent auditors' report

to the members of in4systems Limited

We have audited the financial statements of in4systems Limited for the period ended 30 April 2017 which comprise the Income Statement, Statement of Other Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position and the related notes 1 to 17. 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 FRS102 "The Financial Reporting standard applicable in the UK and the 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 auditor

As explained more fully in the Directors' Responsibilities Statement 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment 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. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2017 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS102 "The Financial Reporting standard applicable in the UK and the Republic of Ireland"
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Independent auditors' report

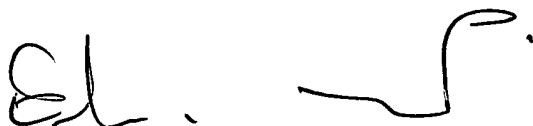
to the members of in4systems Limited

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Directors' Report.

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; or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime and take advantage of the small companies' exemption in not preparing the Strategic Report.



Darren Rutherford (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle upon Tyne

30 June 2017

Income statement

for the year ended 30 April 2017

		2017	2016
	Notes	£	£
Turnover	2	1,254,218	1,064,109
Cost of sales		(1,078,975)	(1,201,037)
Gross profit/(loss)		175,243	(136,928)
Administrative expenses		(143,338)	(274,354)
Operating profit/(loss)	3	31,905	(411,282)
Interest Receivable	6	-	-
Profit/(loss) before taxation		31,905	(411,282)
Tax credit on profit/(loss)	7	-	-
Profit/(loss) for the financial year		31,905	(411,282)

All amounts relate to continuing activities.

Statement of Other Comprehensive Income

for the year ended 30 April 2017

There are no gains or losses pertaining to the period other than the profit of £31,905 (2016: loss of £411,282) shown above.

Statement of Changes in Equity

	Share capital	Profit and loss account	Total share-holders' funds
	£	£	£
At 1 May 2016	100	(957,503)	(957,403)
Profit for the year	-	31,905	31,905
At 30 April 2017	100	(925,598)	(925,498)

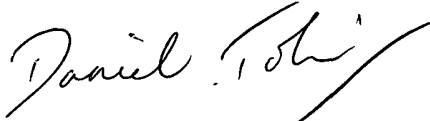
Statement of financial position

Registered No. 03792496

at 30 April 2017

		2017	2016
	Notes	£	£
Fixed assets			
Tangible Assets	8	-	1,339
		-	1,339
Current assets			
Debtors	9	476,007	352,454
Cash at bank and in hand		103,970	21,832
		579,977	374,286
Creditors: amounts falling due within one year	10	(1,148,950)	(1,037,678)
Net current liabilities		(568,973)	(663,392)
Total assets less current liabilities		(568,973)	(662,053)
Deferred Income	12	(356,525)	(295,350)
		(925,498)	(957,403)
Capital and reserves			
Called up share capital	15	100	100
Profit and loss account		(925,598)	(957,503)
Shareholders' deficit		(925,498)	(957,403)

The financial statements were approved by the Board of Directors on 30 June 2017 and were signed on its behalf by:



D Tobin
Director

Notes to the financial statements

at 30 April 2017

1. Accounting policies

Statement of compliance

In4systems Limited is a limited liability company incorporated in England. The Registered Office is 3rd Floor Central Square, Forth Street, Newcastle Upon Tyne, NE1 3PJ. The company's financial statements have been prepared in compliance with FRS 102 for the period ended 30 April 2017. The Company transitioned from previous UK GAAP to FRS 102 as at 1 May 2014.

In these financial statements, the company has applied the exemptions available under FRS 102 in respect of the following disclosures:

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv)
- the requirements of Section 7 Statement of Cash Flows
- the requirements of Section 11 Basic Financial Instruments paragraphs 11.39 to 11.48A
- the requirements of Sections 33.1A and 33.7 Related Party Disclosures

The group in which the results of the Company are consolidated is Orchard Information Systems Limited. Consolidated financial statements are available at Companies House, Cardiff.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards.

The accounting principles used to prepare the financial statements are based on historical cost, unless stated otherwise.

The financial statements are prepared in GBP sterling, which is the functional currency of the company.

Judgements and key sources of estimation uncertainty

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date, and the amounts reported for revenues and expenses during the period.

However, the nature of estimation means that actual outcomes could differ from those estimates.

There are no judgements and estimates which have a significant effect on the financial statements.

Accounting convention

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

Research and development

Research and development expenditure, which represents the cost to the company of the time spent thereon, is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

Fixed assets

All fixed assets are initially recorded at cost.

Notes to the financial statements

at 30 April 2017

1. Accounting policies (continued)

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset over its expected useful life, as follows:

Building improvements	–	10 years straight-line
Office and Computer Equipment	–	between three and five years straight-line as appropriate
Furniture	–	15% reducing balance
Software	–	5 years straight-line
Telecoms Equipment	–	between two and seven years straight-line

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the statement of financial position and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the statement of financial position. The interest elements of the rental obligations are charged in the income statement over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the income statement on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents in the Statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Short term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Revenue recognition and long term contracts

On major contracts extending over more than one accounting period, revenue is taken based on the stage of completion when the outcome of the contract can be foreseen with reasonable certainty and after allowing for costs to completion. Profit is also recognised on the stage of completion of the contract, based on expected revenue and costs.

On contracts that do not qualify to be treated as long term contracts, revenue is generated from the sale of goods and services to customers and is recognised in the following ways for each category:

Notes to the financial statements

at 30 April 2017

1. Accounting policies (continued)

Support and maintenance - annual fees charged to customers for the provision of support and maintenance services are recognised on a straight-line basis over the period of the related agreement from the month of commencement or renewal.

2. Turnover

Turnover, which is stated net of value added tax, represents the sales value of work done. Turnover is attributable to one continuing activity, that of design, supply and support of computer software in the United Kingdom.

3. Operating profit/(loss)

This is stated after charging:

	2017 £	2016 £
Depreciation of owned fixed assets	1,339	-
Operating lease rentals - land and buildings	27,000	27,000
	<u>28,339</u>	<u>27,000</u>

Auditor's remuneration - the fee for the statutory audit of the company of £3,000 (2016: £3,000) has been borne on behalf of the company by the parent undertaking Orchard Information Systems Limited

4. Staff costs

	2017 £	2016 £
Wages and salaries	803,962	829,922
Social security costs	86,006	93,338
Staff pension contributions (note 11)	46,330	26,295
	<u>936,298</u>	<u>949,555</u>

The monthly average number of employees during the period was as follows:

	2017 No.	2016 No.
Development, Customer Support, Technical and Consultancy	12	12
Sales and Marketing	4	4
Finance, Administration and Management	2	2
	<u>18</u>	<u>18</u>

Notes to the financial statements

at 30 April 2017

5. Directors' emoluments

	2017 £	2016 £
Emoluments	86,715	99,000
Value of company pension contributions to money purchase scheme	5,215	959

6. Interest receivable

	2017 £	2016 £
Bank interest receivable	-	-

7. Tax

(a) Tax on profit/(loss)

The tax credit is made up as follows:

	2017 £	2016 £
UK Corporation tax:		
Adjustment in respect of prior years	-	-
Total current tax credit (note 7(b))	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Effect of changes in tax rate on opening liability	-	-
Total deferred tax credit (note 7(c))	-	-
Tax credit on profit	-	-

Notes to the financial statements

at 30 April 2017

7. Tax (continued)

(b) Factors affecting tax credit for the year

The tax assessed on the profit/(loss) for the year is different to the standard rate of corporation tax in the UK of 20% (2016 – 20%). The differences are reconciled below:

	2017 £	2016 £
Profit/(loss) before taxation	31,905	(411,282)
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 20% (2016 – 20%)	6,381	(82,257)
<i>Effects of:</i>		
Non-deductible expenses	-	13
Movement in unrecognised deferred tax asset	(6,381)	82,244
Prior year over provision	-	-
Total tax credit for the year (note 7(a))	-	-

(c) Deferred tax

The company has gross tax losses of approximately £0.66m (2016: £0.66m) available to use against future trading profits. The company has not recognised deferred tax assets in relation to these losses owing to the unpredictability in timing of future use.

(d) Factors that may affect future tax charges

The standard rate of UK corporation tax was reduced from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020). A further reduction in the rate to 17% was substantively enacted on 15 September 2016 and the 17% rate has been applied to the company's unrecognised deferred tax balance at the balance sheet date.

Notes to the financial statements

at 30 April 2017

8. Tangible fixed assets

	<i>Total</i> £
Cost	
At 1 May 2016 and at 30 April 2017	1,994
Depreciation	
At 1 May 2016	655
Charge for year	1,339
At 30 April 2017	1,994
Net book value	
At 30 April 2017	-
At 1 May 2016	1,339

9. Debtors

	2017 £	2016 £
Trade debtors	235,396	223,599
Amounts due from parent undertaking	163,626	89,684
Prepayments	76,985	39,171
	<u>476,007</u>	<u>352,454</u>

10. Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	62,815	23,683
Other taxes and social security costs	7,166	6,650
Other creditors and accruals	88,702	73,945
Payments on Account	98,735	62,712
Amounts due to parent undertaking	891,532	870,688
	<u>1,148,950</u>	<u>1,037,678</u>

The amounts due to Parent undertaking are repayable on demand and are interest free.

Notes to the financial statements

at 30 April 2017

11. Pension commitments

The parent company, Orchard Information Systems Limited, operates a defined contribution pension scheme for the benefit of its staff and directors. The assets of the schemes are held separately from those of the company in independently administered funds. The contributions re-charged to the company and charged to the income statement are £46,330 (2016: £26,295). There were unpaid contributions outstanding at the year-end of £4,649 (2016: £3,130) included within other creditors and accruals (note 10).

12. Deferred income

	2017 £	2016 £
Support and Maintenance Charges receivable in advance	356,525	295,350

13. Commitments under operating leases

At 30 April 2017 the company had commitments under non-cancellable operating leases as set out below.

	2017 <i>Land and buildings</i> £	2016 <i>Land and buildings</i> £
Total amounts payable:		
Within one year	11,250	27,000
Within 2 to 5 years	-	11,250
	<u>11,250</u>	<u>38,250</u>

14. Related party transactions

The company has not disclosed transactions with other Key management personnel or Group companies, as it has taken advantage of the exemption contained within FRS102.33.7 and FRS 102.33.1A respectively, on the grounds that the subsidiary is wholly owned.

15. Issued share capital

	Year ended 30 April 2017		Year ended 30 April 2016	
<i>Allotted, called up and fully paid</i>	No.	£	No.	£
Ordinary shares of £1 each	100	<u>100</u>	100	<u>100</u>

Notes to the financial statements

at 30 April 2017

16. Ultimate parent undertaking and controlling party

At the balance sheet date the ultimate parent undertaking and controlling party was Orchard Information Systems Limited, a company incorporated in the UK, which is the smallest and largest group to consolidate these financial statements. Copies of the Orchard Information Systems Limited consolidated financial statements can be obtained from 3rd Floor Central Square, Forth Street, Newcastle Upon Tyne, NE1 3PJ.

In the opinion of the directors, P A Hunt is the ultimate controlling party of the Company.

17. Financial instruments

	2017	2016
	£	£
<i>Financial assets that are debt instruments measured at amortised cost</i>		
Trade debtors	<u>235,396</u>	<u>223,599</u>
	2017	2016
	£	£
<i>Financial liabilities measured at amortised cost</i>		
Trade creditors	62,815	23,683
Other creditors and accruals	88,702	73,945
Amounts due to parent undertaking	<u>891,532</u>	<u>870,688</u>