

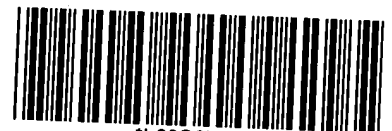
**Company Registration No. 03879877**

**Lumesse Limited**

**Report and Financial Statements**

**31 December 2016**

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COMPANIES HOUSE

# **Lumesse Limited**

## **Report and financial statements 2016**

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# **Lumesse Limited**

## **Report and financial statements 2016**

### **Officers and professional advisers**

#### **Directors**

M J Hunt  
S Hewitt  
D Bench

#### **Registered Office**

475 The Boulevard  
Capability Green  
Luton  
United Kingdom  
LU1 3LU

#### **Bankers**

HSBC plc  
Thames Valley Business Centre  
Apex Plaza  
Reading  
Berkshire  
RG1 1AX

#### **Auditor**

Deloitte LLP  
Chartered Accountants  
London

## **Lumesse Limited**

### **Strategic report**

The Directors present the strategic report for the year ended 31 December 2016. The Directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

#### **Review of the business**

The principal activity of the Company is the design and provision of talent management solutions.

The Company considers adjusted operating profit to be its key performance indicator. The Company had an adjusted operating profit of £2.5m (2015: £2.7m) which was before non-recurring costs as per note 6 to the financial statements.

On 31st December 2016, Lumesse (UK) Limited assigned its intellectual property rights in developed software and related assets and liabilities to this Company.

In August 2016 Lumesse Limited purchased some IP from Goodwords GmbH to provide reference checking functionality as part of the core product set. The purchase price included a completion consideration of €150k and a minimum deferred consideration.

#### **Principal risks and uncertainties**

The Company is subject to a number of business risks. These risks include the following:

By the nature of the business in which it operates, the Company is exposed to risks around technology and technological innovation. The Company mitigates this risk by taking a proactive approach to technological trends, continuously developing its product offering by launching new functionality, new modules and new versions of the product, and where appropriate, makes strategic acquisitions and partnerships to enhance its product portfolio.

The Company would be negatively impacted by the loss of key personnel, particularly within certain product development and sales roles. This risk is alleviated by ensuring that personnel are competitively remunerated and that high achievers are recognised and promoted.

Credit Risk – Customers may default on payments. The Company has implemented policies that ensure appropriate credit checks on potential customers are carried out. The amount of any exposure to any individual customer is subject to a limit and can only be exceeded with Board approval.

Liquidity – The risk that the Company will not be able to meet its obligations as they fall due. The liquidity requirements of the Company are managed by a central treasury function which monitors the future funding requirements over the short and medium term such that it can take action to supplement the Company's operating cash flows to service its obligations if appropriate.

#### **Future developments**

The Company is committed to its principal products and will continue to invest in its Talent Acquisition products. The Human Capital market is a fast developing environment and product enhancement is a continuing feature of the Company's plans.

Lumesse remains a major Human Capital Management systems provider within UK & Europe and will continue to develop this market.

Approved by the Board of Directors  
and signed on behalf of the Board



Michael Hunt  
Director

31<sup>st</sup> March 2017

## **Lumesse Limited**

### **Directors' report**

The Directors present the report and audited financial statements for the year ended 31 December 2016. The principal risks and uncertainties and future developments have been discussed in the strategic report.

#### **Results and dividends**

The profit for the year after taxation amounted to £2,912,424 (2015: loss of £414,602). The Directors do not recommend a final dividend (2015: £nil).

#### **Directors**

The Directors who served the Company during the year and to the date of this report were as follows:

M J Hunt  
S Hewitt  
D Bench

Under the Company's articles of association, any Director is entitled to be indemnified by the Company (to the extent permitted by law) against any liability incurred by him in defending proceedings which relate to any acts or omissions in his capacity as an officer of the Company. In addition, the Company maintains insurance for the benefit of the Directors in respect of such matters at levels which they consider to be appropriate.

#### **Going concern**

The financial statements have been prepared on the going concern basis. The Directors believe this basis of preparation to be appropriate as the ultimate parent Company of the Group, Lumesse Holding S.a.r.l ("The Group"), has provided a written undertaking to provide financial support for a period of not less than 12 months from the date of approval of these financial statements to enable the Company to meet its obligations as they fall due.

As disclosed in the Group accounts of Lumesse Holdings S.a.r.l, if the Group does not meet its 2017 and 2018 financial budget, the Group may be at risk of breaching its covenants. Management would address any potential covenant breach by taking actions including continued cost discipline and proactive measures to manage costs by reducing discretionary spend.

Noting the above potential risks in relation to the Group's bank financing within twelve months from the date of approval of the financial statements, but taking into account the various potential actions discussed above and the ongoing Shareholder's support, the Group Board believes that the risk of a covenant breach is remote. Accordingly, the Group Board has prepared the consolidated financial statements on a going concern basis.

The Directors of this entity are therefore confident that the promised support will therefore be forthcoming and that the Company will be able to operate within the financial support. Accordingly, the financial statements do not contain any adjustments which may arise if this support is withdrawn.

#### **Auditor**

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP were appointed as auditor in the year and have expressed their willingness to be reappointed as auditor. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

Michael Hunt  
Director



31<sup>st</sup> March 2017

## **Lumesse Limited**

### **Directors' responsibilities statement**

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 Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101').

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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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 auditor's report to the members of  
Lumesse Limited**

We have audited the financial statements of Lumesse Limited for the year ended 31 December 2015 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 21. 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 FRS 101 "Reduced Disclosure Framework" 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 auditor**

As explained more fully in the Directors' Responsibilities Statement, 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**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 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**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.



Richard Howe FCA (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
31<sup>st</sup> March 2017

# Lumesse Limited

## Income Statement Year ended 31 December 2016

		Adjusted operating profit 2016 £	Non-recurring (costs)/income, depreciation and amortisation 2016 £	Statutory for the year ending 31 December 2016 £	Adjusted operating profit 2015 £	Non- recurring costs, depreciation and amortisation 2015 £	Statutory for the year ending 31 December 2015 £
	Notes						
Revenue	3	17,511,817		17,511,817	19,287,876	-	19,287,876
Cost of sales		(3,240,333)		(3,240,333)	(3,250,157)	-	(3,250,157)
Personnel costs	5	(10,199,487)		(10,199,487)	(14,273,486)	-	(14,273,486)
Capitalised research and development expenditure	4	2,040,720		2,040,720	4,568,086	-	4,568,086
Depreciation and amortisation		-	(1,305,458)	(1,305,458)	-	(1,220,896)	(1,220,896)
Other operating expenses	4 & 6	(3,647,563)	1,610,167	(2,037,396)	(3,584,030)	(1,843,702)	(5,427,732)
Total operating expenses		(15,046,663)	304,709	(14,741,954)	(16,539,587)	(3,064,598)	(19,604,185)
<b>Operating profit/(loss)</b>		<b>2,465,154</b>	<b>304,709</b>	<b>2,769,863</b>	<b>2,748,289</b>	<b>(3,064,598)</b>	<b>(316,309)</b>
Finance income	7			40,418			501
Finance costs	7			(237,231)			(127)
Foreign exchange gain	7			402,401			(31,101)
<b>Profit/(loss) before tax</b>				<b>2,975,451</b>			<b>(347,036)</b>
Income tax	8			(63,027)			(67,566)
<b>Profit/(loss) for the year</b>				<b>2,912,424</b>			<b>(414,602)</b>

All activities are continuing.

In 2016 and 2015 there was no other income or expense therefore no Comprehensive Statement of Income has been prepared.



# Lumesse Limited

## Statement of changes in equity at 31 December 2016

	Notes	2016 £	2015 £
<b>Assets</b>			
<i>Non-current assets</i>			
Intangible assets	9	5,712,297	6,228,210
Property, plant and equipment	10	1,482,175	1,258,838
Amounts due from group undertakings	13	5,605	5,060
Other non-current financial assets	11	240,762	240,762
<b>Total non-current assets</b>		<b>7,440,839</b>	<b>7,732,870</b>
<i>Current assets</i>			
Trade and other receivables	12	5,218,248	5,209,149
Cash and bank balances		334,702	342,293
Amounts due from group undertakings	13	21,145,853	7,990,479
<b>Total current assets</b>		<b>26,698,803</b>	<b>13,541,921</b>
<b>Total assets</b>		<b>34,139,642</b>	<b>21,274,791</b>
<i>Current liabilities</i>			
Trade and other payables	14	(3,079,621)	(3,148,619)
Deferred income		(6,141,638)	(6,069,701)
Obligations under finance leases	15	(353,992)	-
Amounts due to group undertakings	16	(19,877,100)	(11,014,286)
Other taxes		(810,342)	(825,000)
Provisions	17	(445,203)	(422,444)
<b>Total current liabilities</b>		<b>(30,707,896)</b>	<b>(21,480,050)</b>
<i>Non-current liabilities</i>			
Deferred income		(15,104)	(50,318)
Obligations under finance leases		(380,946)	-
Provisions	17	(519,714)	(140,865)
<b>Total liabilities</b>		<b>(31,623,660)</b>	<b>(21,671,233)</b>
<b>Net assets/(liabilities)</b>		<b>2,515,982</b>	<b>(396,442)</b>
<i>Equity</i>			
Share capital	20	143,959	143,959
Share premium		297,945	297,945
Retained profit/(loss)		2,074,078	(838,346)
<b>Total equity/(deficit)</b>		<b>2,515,982</b>	<b>(396,442)</b>

The accompanying notes form an integral part of these financial statements

The financial statements of Lumesse Limited, registered number 03879877 were approved by the Board of Directors on 31<sup>st</sup> March 2017.

Signed on behalf of the Board of Directors

*Michael Hunt*

Michael Hunt  
Director

31<sup>st</sup> March 2017

## Lumesse Limited

### Statement of changes in equity at 31 December 2016

	Share capital (note 20) £	Share premium £	Retained earnings £	Total £
At 1 <sup>st</sup> January 2015	143,959	297,945	(423,744)	18,160
Loss for the year	-	-	(414,602)	(414,602)
At 31 December 2015	143,959	297,945	(838,346)	(396,442)
Profit for the year	-	-	2,912,424	2,912,424
At 31 December 2016	143,959	297,945	2,074,078	2,515,982

## **Lumesse Limited**

### **Notes to the financial statements Year ended 31 December 2016**

#### **1. Accounting policies**

##### **Basis of preparation**

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS101). The financial statements have been prepared under the historical cost convention, except for financial derivatives which are recognised on a fair value basis.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS101:

- IFRS 7 - Financial Instruments: Disclosures
- Paragraphs 91 to 99 of IFRS 13 – Fair value measurement (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraphs 38 of IAS 1 – Presentation of financial statements comparative information requirements in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 – Property, plant and equipment
  - paragraph 118(e) of IAS16 – Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS1 – Presentation of financial statements
  - 10(d) - statement of cash flows
  - 10(f) – a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of itmes in its financial statements, or when it reclassifies items in its financial statements
  - 16 – statement of compliance with all IFRS
  - 38A – requirement for minimum of two primary statements, including cash flow statements
  - 38D – additional comparative information
  - 40A-D – requirements for a third statement of financial position
  - 111 – cash flow statement information
  - 134-136 (capital management disclosures)
- IAS 7 – Statement of cash flows
- Paragraph 30 and 31 of IAS 8 - Accounting policies, changes in accounting estimates and errors (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24 – Related party disclosures in relation to key management compensation
- The requirements in IAS 24 – Related party disclosures to disclose related party transactions entered into between two or more members of a group

## **Lumesse Limited**

### **Notes to the financial statements Year ended 31 December 2016**

#### **1. Accounting policies (continued)**

##### **Revenue**

Revenue is recognised by reference to the terms of the transaction when it is probable that the economic benefits associated with the transaction will flow to the enterprise, the amount of the revenue can be measured reliably, and the cost incurred for the transaction and the costs to complete the transaction can be measured reliably. Revenues are recorded net of sales taxes and discounts as follows:

- Implementation and consulting service revenues are recognised as and when the service is provided to the end customer.
- Perpetual licence revenue is recognised at the time of delivery on the basis that no significant customisation is required. If customisation is required revenue is deferred until such customisation is completed.
- Recurring licence revenue, customer support (maintenance) revenue and hosting revenues are recognised rateably over the term of the service contract.

Amounts, which are invoiced to customers but not yet recognised as revenue, are recorded in the statement of financial position as deferred income.

##### **Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment in value. Historical cost includes the expenditure that is directly attributable to the acquisition of the assets. All repairs and maintenance are recognised in the income statement during the financial period in which they are incurred.

Depreciation is provided to write off the cost less the estimated residual value based on prices at the balance sheet date on the following bases:

Short-term leasehold improvements	-	over the period of the lease
Fixtures and fittings and equipment	-	straight-line over 3 years

Useful economic lives and residual values are assessed annually.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

##### **Research and development costs**

Research costs are expensed in the profit and loss account as incurred. Development expenditures, on an individual project, are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit which is 3 to 5 years. During the period of development the asset is tested for impairment annually.

##### **Intangible assets: Other**

Intangible assets acquired are measured on initial recognition at cost. Following initial recognition, intangible assets are held at cost less accumulated amortisation. Intangible assets are amortised on a straight-line basis over their useful economic lives, which are reassessed annually together with any assessment of residual value. The useful lives of these intangible assets are

## **Lumesse Limited**

### **Notes to the financial statements Year ended 31 December 2016**

#### **1. Accounting policies (continued)**

assessed based on the expected period that benefits accrue to the Company. Amortisation is charged as a separate line item within depreciation and amortisation in the profit and loss account.

Other intangible assets are amortised on a straight-line basis over their estimated useful life as follows:

- Software licenses 3 to 5 years

The residual value is considered to be nil.

#### **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### **Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date.

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate or interest on the remaining balance of the liability. Finance expenses are recognised immediately in the profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs.

#### **Pension cost**

All pension agreements are defined contribution plans and all costs related to these are recorded as personnel costs in the Consolidated Income Statement as they are incurred.

#### **Income Tax**

The charge for current taxation is based on the results for the period as adjusted for items which are non-assessable or disallowed, based on tax rates that are enacted or substantively enacted at the reporting date.

Deferred tax is provided, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

## **Lumesse Limited**

### **Notes to the financial statements Year ended 31 December 2016**

#### **1. Accounting policies (continued)**

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income tax relating to items recognised directly in other comprehensive income or directly in equity is recognised in other comprehensive income or directly in equity respectively. Otherwise income tax is recognised in the income statement.

#### **Foreign currencies**

The Company's financial statements are presented in Sterling, which is also the Company's functional currency.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

#### **Non-recurring costs**

The Company presents non-recurring costs on the face of the income statement; being those material items of income and expense which because of their nature and expected frequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the period. Acquisition costs are classified as non-recurring as they do not relate to the on-going operations of the Company.

#### **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets or liabilities with fixed or determinable payments that are not quoted in an active market. Such assets are measured at amortised cost using the effective interest rate method, less impairment. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

#### **Financial liabilities**

Financial liabilities in the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial liabilities are recognised initially, they are measured at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. The Group determines the classification of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

#### **Government grants**

Government grants are recognised at fair value when there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. Grants related to capitalised research and development expenditure are treated as deferred income and allocated to the income statement (as a deduction to research and development expenditure) over the useful lives of the related assets.

## Lumesse Limited

### Notes to the financial statements Year ended 31 December 2016

#### 1. Accounting policies (continued)

##### Significant critical accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

##### *Key sources of estimation uncertainty*

The critical estimates concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

- *Taxes*  
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. See note 8 for information in relation to unrecognised deferred tax assets.
- *Impairment of intangible assets*  
Intangible assets are reviewed for impairment if there is any indication of impairment. Estimation uncertainty exists in regard to the forecasting of future revenue. In relation to new products in development this uncertainty is more significant. Where forecasts change this could result in future impairment.

##### *Key judgements*

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- *Revenue*  
Management reviews the terms of all licence contracts to ensure that there are no future vendor obligations that would affect the fair value of the licence revenue recognised.
- *Capitalisation of development costs*  
Development costs are capitalised in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technology and economic feasibility is confirmed. The 3 year plan (which is signed off by the Board) contains a product roadmap which includes development cost and revenue assumptions. The amount capitalised is based on staff time spent on development activity.

# Lumesse Limited

## Notes to the financial statements Year ended 31 December 2016

### 3. Revenue

Revenue is attributable to the design and provision of talent management services. The Company operates in the Global Software-as-a-Service ("SaaS") industry and considers this to be one segment. Revenues can be identified by geographical location and are presented below:

	2016 £	2015 £
Design and provision of talent management services		
United Kingdom	15,618,421	19,101,563
Overseas	1,893,394	186,313
Total external revenue	17,511,815	19,287,876

### 4. Other operating expenses

	2016 £	2015 £
Sales and marketing costs	(537,216)	(1,148,144)
Consulting and legal costs	(186,466)	(384,200)
Bad debt credit/(charge)	(5,485)	(18,005)
Rent	(348,939)	(366,587)
Other operating lease rentals	(2,890)	(5,782)
Other costs	(2,535,667)	(1,569,400)
IPRD write off	-	(61,912)
Auditor's remuneration	(30,900)	(30,000)
	(3,647,563)	(3,584,030)

Other costs includes £235,906 (2015: £307,598) received from HMRC in relation to Corporation Tax Research and Development tax relief.

Total research and development expenditure during the year was £5,396,021 of which £2,040,720 (2015: £4,568,086) was capitalised (note 9).

### 5. Personnel costs

Personnel costs were as follows:

	2016 £	2015 £
Wages and salaries	8,746,960	12,283,173
Social security costs	1,027,279	1,384,119
Other pension costs	425,248	606,194
	10,199,487	14,273,486

All pension costs are in respect of defined contribution schemes.

The average number of full time equivalent employees was as follows:

	2016 No.	2015 No.
Administrative & management	46	43
Sales and marketing	93	143
IT development	25	45
	165	231



# Lumesse Limited

## Notes to the financial statements Year ended 31 December 2016

### 6. Non-recurring (costs)/income

The Company incurred the following (costs)/income in the period which are non-recurring in nature

	Note	2016 £	2015 £
<b>Non-recurring (costs)/income</b>			
Release of Intercompany balances	1	4,028,581	-
Legal and acquisition costs	2	(31,320)	-
Profit on disposal of EasyCruit operation	3	11,976	-
Restructuring and integration costs	4	(1,447,169)	(777,971)
Onerous contract provision	5	(951,901)	(1,065,731)
		<b>1,610,167</b>	<b>(1,843,702)</b>

1. In 2016 the Company benefitted from the write off of licence fee and management fee income due to other group companies.
2. Legal and acquisition cost relates to the acquisition of IPRD from Goodwords GmbH.
3. During the year the Group executed the sale and disposal of EasyCruit operation. The Company made a profit from the disposal of assets related to EasyCruit Operations.
4. Restructuring & integration costs – In 2016 and 2015, the Company undertook a significant restructuring project to align the organisation to business units. This has resulted in a number of restructuring and integration costs.
5. A provision has been created for a contract that became onerous in 2015 and 2016 respectively.

### 7. Finance income and costs

	2016 £	2015 £
Interest from other group companies	40,418	491
Other interest receivable	-	10
<b>Total finance income</b>	<b>40,418</b>	<b>501</b>
Interest on bank borrowings	-	-
Interest to other group companies	(155,908)	(127)
Interest on obligations under finance leases	(81,323)	-
Other interest	-	-
<b>Total finance costs</b>	<b>(237,231)</b>	<b>(127)</b>
<b>Foreign exchange gains/(losses)</b>	<b>402,401</b>	<b>(31,101)</b>

### 8. Income Tax

	2016 £	2015 £
<b>Analysis of tax charge in the year</b>		
Current tax (see note below)		
UK corporation tax charge	63,027	67,566
<b>Current tax</b>	<b>63,027</b>	<b>67,566</b>
<b>Deferred tax</b>		
Adjustments in respect of prior periods	-	-
Deferred tax asset	-	-
<b>Tax on profit on ordinary activities</b>	<b>63,027</b>	<b>67,566</b>

# Lumesse Limited

## Notes to the financial statements Year ended 31 December 2016

### 8. Income Tax (continued)

#### Factors affecting tax charge for the year

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

	2016 £	2015 £
Profit/(loss) on ordinary activities before tax	2,975,451	(347,036)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.25%)	595,090	(70,263)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	89,045	39,940
Depreciation for year in excess of capital allowances	160,439	211,654
Short term timing differences leading an increase in taxation	(28,198)	(12,674)
Non taxable income	(832,877)	-
Transfer pricing adjustments	(146,739)	(96,864)
Current tax losses not available for offset	211,003	-
Overseas tax paid	15,264	-
Group relief not paid	-	(4,227)
<b>Current tax charge for the year (see note above)</b>	<b>63,027</b>	<b>67,566</b>

#### Factors that may affect future tax charges

Following the substantive enactment of the Finance Act 2015 in October 2015 and the Finance Act 2016 in September 2016 the UK corporation tax rate will reduce to 19% from 1 April 2017 and to 17% from 1 April 2020.

Deferred tax assets and liabilities have therefore been calculated using 17% as this is the rate at which deferred tax is expected to unwind in the future.

A deferred tax asset of approximately £6,479,884 (2015: £1,871,003) relating to temporary timing differences carried forward and tax losses carried forward has not been recognised as there is uncertainty over its recoverability.

# Lumesse Limited

## Notes to the financial statements Year ended 31 December 2016

### 9. Intangible fixed assets

	IPRD £	Developed technology £	Software licences £	Total £
<b>Cost:</b>				
At 1 January 2016	5,344,857	-	1,183,847	6,528,704
Additions	2,040,720	-	233,516	2,274,236
Additions third party IPRD	253,890	-	-	253,890
Transfers to Developed technology	(718,975)	718,975	-	-
Transfer to other group company	(6,620,710)	-	-	(6,620,710)
Transfer from other group company	298,740	3,781,792	-	4,080,532
Disposals	-	-	(54,117)	(54,117)
<b>At 31 December 2016</b>	<b>598,522</b>	<b>4,500,767</b>	<b>1,363,246</b>	<b>6,462,535</b>
<b>Amortisation:</b>				
At 1 January 2016	-	-	(300,494)	(300,494)
Charge for the year	-	(172,200)	(331,661)	(503,861)
Disposals	-	-	54,117	54,117
<b>At 31 December 2016</b>	<b>-</b>	<b>(172,200)</b>	<b>(578,038)</b>	<b>(750,238)</b>
<b>Net book value:</b>				
<b>At 31 December 2016</b>	<b>598,522</b>	<b>4,328,567</b>	<b>785,208</b>	<b>5,712,297</b>
<b>At 31 December 2015</b>	<b>5,344,857</b>	<b>-</b>	<b>883,353</b>	<b>6,228,210</b>

### 10. Property, plant and equipment

	Short term leasehold property £	Fixtures and fittings £	Fixed assets held under financial leases £	Total £
<b>Cost:</b>				
At 1 January 2016	1,298,268	7,939,474	-	9,237,742
Additions	-	304,197	732,149	1,036,346
Disposals	(770,829)	(5,728,683)	-	(6,499,512)
Trade and asset sale	-	(51,053)	-	(51,053)
<b>At 31 December 2016</b>	<b>527,439</b>	<b>2,463,935</b>	<b>732,149</b>	<b>3,723,523</b>
<b>Depreciation:</b>				
At 1 January 2016	(1,050,696)	(6,928,208)	-	(7,978,904)
Charge for the year	(62,630)	(657,617)	(81,350)	(801,597)
Disposals	770,829	5,728,683	-	6,499,512
Trade and asset sale	-	39,641	-	39,641
<b>At 31 December 2016</b>	<b>(342,497)</b>	<b>(1,817,501)</b>	<b>(81,350)</b>	<b>(2,241,348)</b>
<b>Net book value:</b>				
<b>At 31 December 2016</b>	<b>184,942</b>	<b>646,434</b>	<b>650,799</b>	<b>1,482,175</b>
<b>At 31 December 2015</b>	<b>247,572</b>	<b>1,011,266</b>	<b>-</b>	<b>1,258,838</b>

# Lumesse Limited

## Notes to the financial statements Year ended 31 December 2016

### 11. Other non-current financial assets

	2016 £	2015 £
Other long term receivables	240,762	240,762
	<b>240,762</b>	<b>240,762</b>

### 12. Trade and other receivables (current)

	2016 £	2015 £
Trade receivables	3,808,428	3,443,558
Less provision for bad debts	(891)	(28,140)
<b>Net trade receivables</b>	<b>3,807,537</b>	<b>3,415,418</b>
Other receivables	1,410,711	1,793,731
<b>Prepayments and other receivables</b>	<b>1,410,711</b>	<b>1,793,731</b>
<b>Total trade and other receivables</b>	<b>5,218,248</b>	<b>5,209,149</b>

### 13. Amounts due from group undertakings

	2016 £	2015 £
Amounts due from group undertakings greater than one year	5,605	5,060
Amounts due from group undertakings less than one year	21,145,853	7,990,479
	<b>21,151,458</b>	<b>7,995,539</b>

Amounts due from group undertakings includes an amount of £5,605 (2015: £5,060), which is unsecured and incurs interest at at 10.6% (2015: 10.6%). It is a structural loan and has no fixed repayment terms. The remainder is unsecured, interest free and has no fixed repayment terms.

# Lumesse Limited

## Notes to the financial statements Year ended 31 December 2016

### 14. Trade and other payables

	2016	2015
	£	£
Trade payables	1,398,620	1,346,217
Other payables	90,063	171,297
Accruals	1,590,938	1,631,105
	<b>3,079,621</b>	<b>3,148,619</b>

### 15. Obligations under finance leases

	Minimum lease payments	
	2016	2015
	£	£
Amounts payable under finance leases		
Within one year	(419,886)	-
After one year but not more than five years	(419,886)	-
Less: future finance charges	104,834	-
Present value of lease obligations	<b>(734,938)</b>	<b>-</b>

	Present value of minimum lease payments	
	2016	2015
	£	£
Amounts payable under finance leases		
Within one year	353,992	-
After one year but not more than five years	380,946	-
Present value of lease obligations	<b>734,938</b>	<b>-</b>

It is the Company policy to lease certain of its Fixtures, fittings & equipment and intangible assets under finance leases. The average lease term is 3 years. For the year ended 31 December 2016, the average effective borrowing rate was 13.7% (2015: 13.3%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Company lease obligations is approximately equal to their carrying amount.

### 16. Amounts due to group undertakings

	2016	2015
	£	£
Amounts due to group undertakings less than one year	19,877,100	11,014,286
Amounts due to group undertakings greater than one year	-	-
	<b>19,877,100</b>	<b>11,014,286</b>

Amounts due to group undertakings includes an amount of £4,058,955 (2015: £1,066,850), which is unsecured and incurs interest at a rate of 4.5% above Euribor (2015: 4.5%). The remainder is unsecured, interest free and has no fixed repayment terms.

# Lumesse Limited

## Notes to the financial statements Year ended 31 December 2016

### 17. Provisions

	Onerous contract £	Leasehold property £	Vacant lease £	Deferred Consideration £	Total £
At 1 January 2015	-	122,338	-	-	122,338
Arising during the period	1,065,731	18,527	-	-	1,084,258
Utilisation	(643,287)	-	-	-	(643,287)
At 31 December 2015	422,444	140,865	-	-	563,309
Arising during the period	539,215	18,528	412,686	128,040	1,098,469
Utilisation	(641,109)	-	(55,752)	-	(696,861)
At 31 December 2016	320,550	159,393	356,934	128,040	964,917

	Onerous contract £	Leasehold property £	Vacant lease £	Deferred Consideration £	Total £
Analysed as:					
Current	320,550	-	110,595	14,058	445,203
Non Current	-	159,393	246,339	113,982	519,714
At 31 December 2016	320,550	159,393	356,934	128,040	964,917

#### Leasehold property provision

Provisions have been made for the reinstatement of the Company's leasehold property at the end of the current lease term, which is expected to expire in 2020. The provision was estimated using comparable current market rates per square foot occupied and has not been discounted.

#### Onerous contract provision

The onerous contract provision created in 2015 has been increased in 2016 due to an extension to the contract exit. The provision is expected to be utilised in the next twelve months.

#### Vacant Lease provision

A provision has been created for the rent cost of vacant premises.

#### Deferred consideration

During the year, the Company purchased some IP from Goodwords GmbH. The purchase price included deferred consideration of £128k.

### 18. Pensions

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £425,248 (2015: £606,803). Pension contributions outstanding at the year-end were £63,392 (2015: £171,133).

## Lumesse Limited

### Notes to the financial statements Year ended 31 December 2016

#### 19. Commitments and contingencies

The Company has entered into commercial leases on certain properties used as offices, motor vehicles and items of machinery. These non-cancellable leases have remaining terms of between 25 and 53 months. The future minimum rentals payable under non-cancellable operating leases as at 31 December 2016 are as follows:

	<b>Land and buildings</b>	<b>Other leases</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Within one year	424,539	36,954	461,493
After one year but not more than five years	965,837	22,835	988,671
	<b>1,390,376</b>	<b>59,789</b>	<b>1,450,165</b>

The Company is contingently liable with respect to lawsuits and other matters that arise in the normal course of business. The Company has assessed any potential liability and currently no amounts have been provided as settlement is not probable, but the potential liability will continue to be monitored.

#### 20. Issued share capital

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Allotted, called up and fully paid</b>		
19,194,508 ordinary shares of £0.0075 each	<b>143,959</b>	<b>143,959</b>

#### 21. Ultimate parent undertaking and controlling party.

The Company is domiciled in the United Kingdom.

The Company's immediate parent undertaking is Lumesse Holdings UK Limited, a Company registered in the United Kingdom.

Lumesse Holdings S.á r.l., a Company registered in Luxembourg, is the Company's ultimate parent undertaking and ultimate controlling party. Lumesse Holdings S.á r.l., is the smallest and largest group for which group financial statements are available. A copy of these group financial statements can be obtained from their address at 1, rue Hildegard von Bingen L-1282 Luxembourg.