

Company Registration No. 03879877

Lumesse Limited

Report and Financial Statements

31 December 2018

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Lumesse Limited

Report and financial statements 2018

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Lumesse Limited

Report and financial statements 2018

Officers and professional advisers

Directors

E Graham
S Laughton
M Stewart

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Lumesse Limited

Strategic report

Lumesse Ltd (03879877) is a private limited company, limited by shares. It was incorporated on 12 November 1999 in England. The Directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Business review and key performance indicators

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

The Company had an adjusted operating loss of £10m (2017: adjusted operating loss of £2.0m) which was before exceptional items as per note 5 to the financial statements. In 2018, the adjusted operating income has been impacted by a reduction in the net licence fee income received from other group companies primarily due to a decline in non-core revenue as the group focuses on developing and investing in its core products to drive future profitability.

Principal risks and uncertainties

The Company faces a number of risks and attempts to mitigate these wherever possible, the key ones are summarised briefly below:

- 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.

Future developments and Research and Development

The Company is committed to its principal products. The Group that this Company is a part of, maintains a dedicated development team and continues to invest in the development of its product offerings to ensure product competitiveness.

Audit exemption

For the period ending 31st December 2018 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The intermediate parent Company of the Group, Libra AcquireCo Ltd, has provided a written undertaking to provide financial support over the obligations of the Company.

This report was approved by the board of directors on 27th September 2019 and signed on its behalf by:



Eric Graham
Director
27th September 2019

Lumesse Limited

Directors' report

The Directors present the report and audited financial statements for the year ended 31 December 2018.

The principal risks and uncertainties have been discussed in the strategic report.

There have been no significant events since the balance sheet date

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk and liquidity risk.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations and arises principally from the Group's trade receivables from customers. The Company has a credit policy in place and the exposure to credit risk is monitored on an on-going basis.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial commitments as they fall due.

The Company manages liquidity risk through regular cash flow forecasting and monitoring of cash flows.

Dividends

No dividend was paid in 2018 and no final dividend is proposed.

Research and Development

The Group, of which this Company is a part of, maintains a dedicated development team and continues to invest in the development of its product offerings to ensure product competitiveness

Directors

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

M J Hunt (resigned 1 November 2018)

S Hewitt (resigned 1 November 2018)

D Bench (resigned 1 November 2018)

E Graham (appointed 1 November 2018)

S Laughton (appointed 1 November 2018)

M Stewart (appointed 1 November 2018)

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.

Donations

No donations were made to any political party in the period.

Approval

This report was approved by the board of directors on 27th September 2019 and signed on its behalf by:



Eric Graham

Director

27 September 2019

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 such financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company 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 Financial Reporting Standard 101 Reduced Disclosure Framework has 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

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.

The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476.

Lumesse Limited

Income Statement Year ended 31 December 2018

	Notes	Adjusted operating profit 2018 £	Exceptional items, depreciation and amortisation 2018 £	Statutory for the year ending 31 December 2018 £	Adjusted operating profit 2017 £	Exceptional items, depreciation and amortisation 2017 £	Statutory for the year ending 31 December 2017 £
Revenue	2	17,014,817	-	17,014,817	17,628,306	-	17,628,306
Cost of sales		(3,009,637)	-	(3,009,637)	(2,568,124)	-	(2,568,124)
Personnel costs	4	(9,513,838)	-	(9,513,838)	(10,255,571)	-	(10,255,571)
Depreciation and amortisation		-	(4,217,453)	(4,217,453)	-	(4,433,505)	(4,433,505)
Other operating income/(expenses)	3 & 5	(14,407,185)	(1,097,425)	(15,504,610)	(6,762,352)	(322,799)	(7,085,151)
Total operating income/(expenses)		(26,930,660)	(5,314,878)	(32,245,538)	(19,586,047)	(4,756,304)	(24,342,351)
Operating profit/(loss)		(9,915,843)	(5,314,878)	(15,230,721)	(1,957,741)	(4,756,304)	(6,714,045)
Finance income	6			30,638			86,611
Finance costs	6			(164,836)			(256,854)
Foreign exchange gain	6			(335,655)			709,338
Profit/(loss) before tax				(15,700,574)			(6,174,950)
Income tax	7			(31,624)			(57,881)
Profit/(loss) for the year				(15,732,198)			(6,232,831)

All activities are continuing.

In 2018 and 2017 there was no other income or expense therefore no Comprehensive Statement of Income has been prepared.

Lumesse Limited

Statement of Financial Position

	Notes	2018 £	2017 (restated) £
Assets			
<i>Non-current assets</i>			
Intangible assets	8	5,455,906	5,994,262
Property, plant and equipment	9	465,200	906,926
Amounts due from group undertakings	12	-	-
Other non-current financial assets	10	366,391	364,859
Total non-current assets		6,287,497	7,266,047
<i>Current assets</i>			
Trade and other receivables	11	3,279,050	3,064,186
Accrued income		343,597	267,822
Asset recognised from the costs incurred to obtain a contract		755,869	-
Cash and bank balances		427,512	1,820,312
Amounts due from group undertakings	12	21,114,681	28,321,067
Total current assets		25,920,709	33,473,386
Total assets		32,208,206	40,739,433
<i>Current liabilities</i>			
Trade and other payables	13	(1,927,345)	(2,609,862)
Deferred income		(5,050,560)	(5,416,334)
Obligations under finance leases	14	-	(394,876)
Amounts due to group undertakings	15	(42,758,278)	(34,859,226)
Other taxes		(671,429)	(604,196)
Provisions	16	(336,235)	(128,171)
Total current liabilities		(50,743,847)	(44,012,665)
<i>Non-current liabilities</i>			
Deferred income		-	(14,372)
Obligations under finance leases	14	-	-
Provisions	16	(376,906)	(429,245)
Total liabilities		(51,120,753)	(44,456,282)
Net assets/(liabilities)		(18,912,547)	(3,716,849)
<i>Equity</i>			
Share capital	19	143,959	143,959
Share premium		297,945	297,945
Retained profit/(loss)		(19,354,451)	(4,158,753)
Total equity/(deficit)		(18,912,547)	(3,716,849)

The accompanying notes form an integral part of these financial statements

For the financial year in question the company was entitled to exemption under section 479a of the Companies Act 2006. No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts

The financial statements of Lumesse Limited, registered number 03879877 were approved by the Board of Directors on 27th September 2019.

Signed on behalf of the Board of Directors

Eric Graham
Director

27 September 2019

Lumesse Limited

**Statement of changes in equity
at 31 December 2018**

	Share capital £	Share premium £	Retained earnings £	Total £
At 31 December 2016	143,959	297,945	2,074,078	2,515,982
Comprehensive profit	-	-	(6,232,831)	(6,232,831)
At 31 December 2017	143,959	297,945	(4,158,753)	(3,716,849)
Adjustment to opening reserves as a result of the adoption of IFRS15 using the modified retrospective approach (note 1)	-	-	536,500	536,500
At 31 December 2017 (restated)	143,959	297,945	(3,622,252)	(3,180,349)
Comprehensive loss	-	-	(15,732,198)	(15,732,198)
At 31 December 2018	143,959	297,945	(19,354,451)	(18,912,547)

Lumesse Limited

Notes to the financial statements Year ended 31 December 2018

1. Accounting policies

Change in accounting policy

The Company has adopted IFRS 15 Revenue from Contracts with Customers (IFRS 15) with an initial adoption date of January 1, 2018. As a result, the Company has changed its accounting policy for revenue as described in Note 1.

The Company has elected to adopt IFRS 15 using the modified retrospective method and has elected to apply this standard retrospectively only to contracts that were not completed as of the date of initial application. Accordingly, the cumulative effect of initially applying IFRS 15 was recognized in retained earnings at the date of initial adoption. Comparative information has not been restated and is reported under the previous revenue standard, IAS 18 Revenue

The Company has also elected to apply the practical expedient for contracts modified prior to the date of initial application. This practical expedient allowed The Company to not assess contracts that have had multiple modifications prior to the date of initial application.

Going concern

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

The financial statements have been prepared on the going concern basis. The Directors believe this basis of preparation to be appropriate as the intermediate parent Company of the Group, Libra AcquireCo Limited 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 Libra AcquireCo Limited, the intermediate group has considerable financial resources together with support from its parent Group. It also has long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Company is well placed to manage its business and economic risks successfully

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.

These accounts are parent company financial statements only. In accordance with paragraph 4(a)(iv) of IFRS10 (Consolidated Financial Statements), the company has not prepared consolidated financial statements as the intermediate parent produces financial statements that are available for public use

Lumesse Limited

Notes to the financial statements Year ended 31 December 2018

1. Accounting policies (continued)

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 IAS 16 – Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1 – 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 items in its financial statements, or when it reclassifies items in its financial statements
 - 16 – statement of compliance with all IFRSs
 - 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

Revenue from contracts with customers

The Group recognises revenue as the performance obligation is satisfied in an amount that reflects the consideration that it expects to be entitled to using the 5 step model:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise the revenue as the entity satisfies a performance obligation

The Group recognises revenue from the following major sources.

(i) Subscription revenue

Subscription revenue is recognised using an output method based on time, as the customer receives the benefit over the life of the contract. Billing is predominantly annually or quarterly in advance with typical payment terms of 30 days. Consideration is not variable and there is no significant financing component. The Company has a standard Service Level Agreement that sets out the minimum availability of the solution that the customer has subscribed to.

(ii) Implementation revenue

Implementation revenue is recognised over time, using hours worked as the input method, as the Company provides the service to the customer. Billing is as per milestones set in the contract with typical payment terms of 30 days. Consideration is not variable and there is no significant financing component.

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Notes to the financial statements Year ended 31 December 2018

1. Accounting policies (continued)

(iii) Learning content revenue

Learning content revenue is recognised over time, using a straight line recognition method, as the Company provides the service to the customer. Billing is as per milestones set in the contract with typical payment terms of 30 days. Consideration is not variable and there is no significant financing component.

(iv) Perpetual licence revenue

Perpetual licence revenue is recognised once the associated implementation has been completed on the basis that this is when the customised solution has been delivered. Billing takes place once the licence key is delivered, with typical payment terms of 30 days. Consideration is not variable and there is no significant financing component.

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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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. During the period of development the asset is tested for impairment annually.

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Notes to the financial statements Year ended 31 December 2018

1. Accounting policies (continued)

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 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 of 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.

Lumesse Limited

Notes to the financial statements Year ended 31 December 2018

1. Accounting policies (continued)

Income Tax (continued)

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
- 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.

Exceptional items

The Company presents exceptional items 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

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.

Interest revenue

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

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Notes to the financial statements Year ended 31 December 2018

1. Accounting policies (continued)

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification of financial assets and financial liabilities and impairment of financial assets.

All financial assets and financial liabilities were classified at amortised cost under IAS 39, and continue to be classified at amortised cost under IFRS 9, therefore the new classification requirements in IFRS 9 have not affected the financial statements.

The change from incurred loss approach under IAS 39 to an expected credit loss approach under IFRS 9 has not had a material impact on the allowance for credit losses

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.

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, 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 judgements

In the process of applying the Group'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 all performance obligations are recognised at fair value.
- **Capitalisation of development costs**
Management reviews the costs incurred by the research and development function to ensure the correct classification of costs between costs that should be capitalised and those that should be expensed.

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Notes to the financial statements Year ended 31 December 2018

2 Revenue from contracts with customers

As a result of IFRS 15 the Group has reviewed its contracts with customers and disaggregated them into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors

Revenue from contracts with customers	Total
	£
Subscription	11,156,692
Services	5,170,022
Learning content	688,103
Licences	-
Total revenue from contracts with customers	17,014,817

Subscription revenue is predominantly billed annually or quarterly in advance. The performance obligation is satisfied over the length of the subscription. On invoicing, the trade receivable and deferred revenue will both increase. The trade receivable will be extinguished at the point the receivable is settled whilst the deferred revenue will be released to the income statement over the length of the period covered by the billing.

Implementation and Learning content revenue is billed based upon the milestones agreed in the contract, whilst the performance obligation is satisfied over the period of implementation based upon the work carried out. The relationship of the performance obligation to the trade receivable depends upon the timing of milestones within the contract.

Perpetual licence revenue is billed when the licence key is delivered. The performance obligation is satisfied once the implementation has been completed, so a contract asset is recognised in relation to the perpetual licence fee until the implementation has been completed at which point the revenue is recognised.

3 Other operating expenses

	2018	2017
	£	£
Sales and marketing costs	(1,052,358)	(854,182)
Consulting and legal costs	(533,577)	(286,199)
Bad debt credit/(charge)	(43)	704
Rent	(467,009)	(346,593)
Other operating lease rentals	(701)	(1,246)
Other costs	(18,514,561)	(5,237,082)
Auditor's remuneration	-	(37,754)
	(14,407,185)	(6,762,352)

4 Personnel costs

Personnel costs were as follows:

	2018	2017
	£	£
Wages and salaries	8,076,804	8,784,697
Social security costs	1,027,640	1,039,717
Other pension costs	409,394	431,157
	9,513,838	10,255,571

All pension costs are in respect of defined contribution schemes

No Directors received any emoluments through the Company (2017: £nil), as their remuneration was borne by another group company. The Company has received a portion of their costs through the annual management recharge

The average number of full time equivalent employees was as follows

2018	2017
No.	No.
144	155

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Notes to the financial statements Year ended 31 December 2018

5. Exceptional (costs)/income

The Company incurred the following exceptional (costs)/income in the period.

		2018	2017
	Note	£	£
Restructuring and integration costs	1	(325,315)	(414,587)
Onerous contract provision	2	(142,298)	159,880
Corporate transaction costs	3	(629,812)	-
Abortive fees and other costs	4	-	(68,092)
		<u>(1,097,425)</u>	<u>(322,799)</u>

¹ Restructuring & integration costs – In 2018 and 2017, 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.

² In 2016 a provision was created for a contract that became onerous. The balance of that provision was released in 2017 when the contract was exited. In 2018 an additional onerous contract was identified.

³ On 1st November 2018, the Group that this Company is a subsidiary of, was sold to Libra Acqui reCo Limited. As a result of this acquisition a number of restructuring actions have been communicated and undertaken.

⁴ Costs were incurred in relation to an aborted transaction in 2017.

6. Finance income and costs

	2018	2017
	£	£
Interest from other group companies	30,638	70,604
Other interest receivable	-	16,007
Total finance income	30,638	86,611
Interest to other group companies	(139,824)	(176,961)
Interest on obligations under finance leases	(25,012)	(79,823)
Other interest	-	(70)
Total finance costs	(164,836)	(256,854)
Foreign exchange gains/(losses)	(335,655)	709,338

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Notes to the financial statements Year ended 31 December 2018

7. Income Tax

	2018 £	2017 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge	-	57,881
Current tax	-	57,881
Deferred tax		
Adjustments in respect of prior periods	-	-
Deferred tax asset		
Tax on profit on ordinary activities	-	57,881

Factors affecting tax charge for the year

The tax assessed for the year is lower (2017: lower than) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below

	2018 £	2017 £
Profit/(loss) on ordinary activities before tax	(15,700,575)	(6,174,950)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	(2,983,109)	(1,188,493)
Effects of		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	571,192	26,622
Non-deductible interest	118,573	-
Depreciation for year in excess of capital allowances	68,391	156,509
Short term timing differences leading an increase/(decrease) in taxation	(6,686)	44,149
Non taxable income	-	-
Transfer pricing adjustments	(93,075)	(20,051)
Current tax losses not available for offset	2,324,715	1,039,145
Overseas tax paid	-	-
Current tax charge for the year (see note above)	-	57,881

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 of £16,427,373 (2017: £8,101,277) relating to temporary timing differences carried forward and tax losses carried forward has not been recognised as there is uncertainty over its recoverability.

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Notes to the financial statements Year ended 31 December 2018

8. Intangible fixed assets

	IPRD £	Developed technology £	Software licences £	Total £
Cost:				
At 1 January 2018	721,236	8,207,821	1,471,392	10,400,449
Additions	2,979,987	-	116,514	3,096,501
Disposals	-	-	(332,205)	(332,205)
Transfers to Developed technology	(3,065,306)	3,065,306	-	-
At 31 December 2018	635,917	11,273,127	1,255,702	13,164,745
Amortisation:				
At 1 January 2018	-	(3,451,238)	(954,949)	(4,406,187)
Disposals	-	-	332,205	332,205
Charge for the year	-	(3,291,099)	(343,758)	(3,634,857)
At 31 December 2018	-	(6,742,337)	(966,502)	(7,708,839)
Net book value:				
At 31 December 2018	635,917	4,530,790	289,199	5,455,906
At 31 December 2017	721,236	4,756,583	516,443	5,994,262

9. Property, plant and equipment

	Short term leasehold improvements £	Fixtures and fittings £	Fixed assets held under financial leases £	Total £
Cost:				
At 1 January 2018	549,228	2,458,148	732,149	3,739,525
Additions	-	140,870	-	140,870
Disposals	-	(530,626)	-	(530,626)
At 31 December 2018	549,228	2,068,392	732,149	3,349,769
Depreciation:				
At 1 January 2018	(400,561)	(2,106,638)	(325,400)	(2,832,599)
Charge for the year	(54,631)	(283,915)	(244,050)	(582,596)
Disposals	-	530,626	-	530,626
At 31 December 2018	(455,192)	(1,859,927)	(569,450)	(2,884,569)
Net book value:				
At 31 December 2018	94,036	208,465	162,699	465,200
At 31 December 2017	148,667	351,510	406,749	906,926

The Company's obligations under finance leases (see note 15) are secured by the lessors' title to the leases assets, which have a carrying value of £0.2m (2017: £0.4m).

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Notes to the financial statements Year ended 31 December 2018

10. Other non-current financial assets

	2018	2017
	£	£
Other long term receivables	366,391	364,859
	<u>366,391</u>	<u>364,859</u>

11. Trade and other receivables (current)

	2018	2017
	£	£
Trade receivables	2,328,399	2,044,878
Less provision for bad debts	-	-
Net trade receivables	<u>2,328,399</u>	<u>2,044,878</u>
Other receivables	960,651	1,019,308
Prepayments and other receivables	960,651	1,019,308
Total trade and other receivables	<u>3,279,050</u>	<u>3,064,186</u>

12. Amounts due from group undertakings

	2018	2017
	£	£
Amounts due from group undertakings greater than one year	-	-
Amounts due from group undertakings less than one year	21,114,681	28,321,067
	<u>21,114,681</u>	<u>28,321,067</u>

Amounts due from group undertakings includes an amount of £1,802,273 (2017: £2,621,309), which is unsecured and incurs interest at a rate of 4.5% above Euribor (2017: 4.5%). It is a structural loan and has no fixed repayment terms. The remainder is unsecured, interest free and has no fixed repayment terms.

13. Trade and other payables

	2018	2017
	£	£
Trade payables	526,487	1,200,408
Other payables	53,720	88,822
Accruals	1,347,138	1,320,632
	<u>1,927,345</u>	<u>2,609,862</u>

14. Obligations under finance leases

	Minimum lease payments	
	2018	2017
	£	£
Amounts payable under finance leases		
Within one year	-	(419,886)
After one year but not more than five years	-	-
Less future finance charges	-	25,014
Present value of lease obligations	-	<u>(394,872)</u>
	Present value of minimum lease payments	
	2018	2017
	£	£
Amounts payable under finance leases		
Within one year	-	394,872
After one year but not more than five years	-	-
Present value of lease obligations	-	<u>394,872</u>

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 2018, the average effective borrowing rate was 13.9% (2017: 13.9%).

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Notes to the financial statements Year ended 31 December 2018

13 9%). 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.

15. Amounts due to group undertakings

	2018 £	2017 £
Amounts due to group undertakings less than one year	42,758,278	34,859,226
Amounts due to group undertakings greater than one year	-	-
	42,758,278	34,859,226

Amounts due to group undertakings in the prior year included an amount of £2,274,161, which was unsecured and incurred interest at a rate of 4.5% above Euribor. In 2018 all amounts due to group undertakings are unsecured, interest free and have no fixed repayment terms.

16. Provisions

	Restructuring provision £	Onerous contract £	Leasehold property £	Vacant lease £	Deferred Consideration £	Total £
At 31 December 2016	-	320,550	159,393	356,934	128,040	964,917
Arising during the period	-	-	17,839	-	-	17,839
Foreign exchange	-	-	-	-	5,805	5,805
Released during the period	-	(159,880)	-	-	-	(159,880)
Utilisation	-	(160,670)	-	(110,595)	-	(271,265)
At 31 December 2017	-	-	177,232	246,339	133,845	557,416
Arising during the period	107,437	142,298	18,529	20,508	-	288,772
Foreign exchange	-	-	-	-	1,643	1,643
Released during the period	-	-	-	-	-	-
Utilisation	-	(24,095)	-	(110,595)	-	(134,690)
At 31 December 2018	107,437	118,203	195,761	156,252	135,488	713,141
		Onerous contract £	Leasehold property £	Vacant lease £	Deferred Consideration £	Total £
Analysed as:						
Current	107,437	118,203	-	110,595	-	336,235
Non Current	-	-	195,761	45,657	135,488	376,906
At 31 December 2018	107,437	118,203	195,761	156,252	135,488	713,141

Restructuring provision

As a result of the acquisition, a restructuring programme has commenced. The provision is expected to be utilised over the next 12 months.

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

An onerous contract relating to data centres has been recognised. It is expected to be utilised in 2019.

Vacant Lease provision

A provision has been created for the rent cost of vacant premises. It is expected to be utilised by 2020.

Deferred consideration

In 2016, the Company purchased some IP from Goodwords GmbH. The purchase price included deferred consideration of €150k.

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Notes to the financial statements Year ended 31 December 2018

17. 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 £409,393 (2017: £431,157). Pension contributions outstanding at the year-end were £88,822 (2017: £88,822).

18. 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 1 and 29 months. The future minimum rentals payable under non-cancellable operating leases as at 31 December 2018 are as follows.

	Land and buildings £	Other leases £	Total £
Within one year	574,467	-	574,467
After one year but not more than five years	158,382	-	158,382
	<u>729,849</u>	<u>-</u>	<u>729,849</u>

19. Issued share capital

	2018 £	2017 £
Allotted, called up and fully paid		
19,194,508 ordinary shares of £0.0075 each	<u>143,959</u>	<u>143,959</u>

20. 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.

The Company's ultimate parent undertaking is Vector Talent Holdings, L.P. a Company registered in the Cayman Islands.

The smallest and largest undertakings for which the company is a member and for which group financial statements are prepared are Libra Acquireco Limited and Vector Talent Holdings, L.P.