C.S. House

Financial Statements
Causeway Technologies Limited

For the Year Ended 31 December 2016

Registered number: 03921897

Company Information

Directors	P J Brown P D Nagle M Howell
Company secretary	D H Evans
Registered number	03921897
Registered office	Comino House, Furlong Road, Bourne End Buckinghamshire SL8 5AQ
Independent auditor	Grant Thornton UK LLP 3140 Rowan Place John Smith Drive Oxford Business Park South OXFORD OX4 2WB
Bankers	Barclays Bank Plc BIRMINGHAM B2 2BH

Contents

Strategic Report
For the Year Ended 31 December 2016

Principal activities

During the year under review the Company continued to consolidate its position as a leading provider of software for the Built Environment, serving 1,959 customers in 38 countries.

Business review and future developments

During 2016, the business continued its transition to a new subscription based sales model from its historic licence fee based model. This resulted in increased recognised annual licence fee revenue of £1.3m, while initial licence fee one-off revenue and professional services declined by £1m in total. As a result, 2016 saw an incremental increase in revenue, but the conversion of customers to subscription contracts at higher values saw the value of recurring revenue increase from £15.3m at the end of 2015 to £17.1m as at 31 December 2016. With an increasing number of customers moving to 5-year contracts, the lifetime value of existing contracts at 31 December 2016 was £46.5m.

It is anticipated that the recognised revenue from contracts in 2017 will be £18.9m, which represents 83% of total revenue. Recurring revenues are broadly in line with full year operating costs, which means that new sales directly correlate to improved EBITDA in subsequent years.

In 2016 the business successfully implemented a hybrid of the Business Units adopted in 2015 with a centralised sales and executive team, allowing the company to revert back to a historic executive structure which drove improved performance.

EBITDA in the year to 31st December 2016 was £2.1m (2015 - £673k). This would have been enhanced by £271k if the results excluded non-operational, non-recurring exceptional costs. If these costs were not included, EBITDA would have increased by 13% to £2.4m.

The Group's significant investment in Research & Development continued, with a total investment of £4.6m. This will yield significant growth opportunities over the coming years as the global economy in general recovers and the Built Environment sector in particular begins to invest in technologies to drive productivity and efficiency.

Future developments:
In 2016 Causeway commenced the conversion of its revenue model away from Initial Licence Fees and Maintenance to annual Subscription Fees. This coincided with the company's release of its Platform of digital Tools that provide universal licencing, advanced data analytics, workflow and integration for all existing Causeway Applications. The plan for future periods is to work with all Customers to migrate them to the Platform Tools, thereby gaining much greater business process automation and insights by simply increasing their price per user per annum to switch from existing maintenance agreements to new five-year Subscription Agreements. The company will continue to invest substantially in Research and Development to further advance its Platform and Cloud offering.

Colin Smith joined the company as CEO in January 2017 to help drive growth, with Founder Phil Brown moving to Executive Chairman in order to focus on strategic development opportunities.

Strategic Report
For the Year Ended 31 December 2016

Principal risk and uncertainties

The key risks of the business are a possible decline in licence sales volume and attrition of the customer base that might arise due to adverse market conditions. The transition to long term subscription based contracts with customers being managed by customer focussed Business and a robust CRM sales process continue to deliver growth in both sales volumes and customer numbers ensures that these risks are managed carefully. Contracted recurring maintenance revenues provides a large element of the turnover, and this allows management sufficient time to align costs and revenue and make strategic choices as required. The migration to a subscription business model is evidence of this.

The most significant financial risks that the company is exposed to are described below.

Credit risk
The Company's credit risk is primarily attributable to its trade receivables. The Company continuously monitors customer credit levels and obtains, where necessary, external credit reports on customers. The amounts presented in the balance sheet are net of any allowance for doubtful debtors, based on prior year experience and an assessment of specific circumstances by the directors. The Company has no significant concentration of credit risk, with exposure spread over a number of clients.

Liquidity risk
The Company manages its liquidity by monitoring the day to day cash flow needs of the business. The Company uses bank loans to finance expansion opportunities and monitors cashflow forecasts to ensure that sufficient liquidity exists within the Company to settle liabilities as they fall due and ensure that covenant requirements are complied with.

Interest rate risk
The Company holds cash assets in interest bearing accounts and borrows from group companies at variable rate of interest. Trade debtors and creditors do not attract interest and are therefore subject to fair value interest rate risk.

Key financial and non-financial performance indicators

Environmental matters

The Company will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The Company has complied with all applicable legislation and regulations.

The Company monitors its Carbon Footprint, and the draft report for 2016 shows a reduction in carbon dioxide equivalent of 27% from 2015. Carbon Credits will be used to support renewable energy projects.

This report was approved by the board on 12/04/2017 and signed on its behalf.

P D Nagle
Director

Directors' Report
For the Year Ended 31 December 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Matters covered in the strategic report

Information on the financial risk management review and future prospects and the principle risks and uncertainties of the business are shown in the Strategic Report.

Results and dividends

The profit for the year, after taxation, amounted to £1,620,898 (2015 - £598,173).

Total assets are £19.8m as at 31st December 2016 (2015 - £17.3m) and the Company continues to enjoy strong liquidity with cash reserves at £1.9m. Shareholder's funds increased to stand at £6.51m at the end of the year (2015 - £4.89m).

The Directors are not recommending a dividend.

Directors

The directors who served during the year were:

P J Brown
P D Nagle
M Howell

Charitable contributions

In January 2011, The Causeway Foundation (registration number 1142924) was established with the core objective of supporting disadvantaged and exceptionally talented young people to realise their full potential. This charity has no direct relationship with Causeway Technologies Limited although staff members support the activities of the charity and make up a proportion of Board of Trustees.

During the year, the Company made charitable donations of £12,775 (2015: £15,700) to the Causeway Foundation.

Directors' Report (continued)

For the Year Ended 31 December 2016

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed 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 ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 12/04/2017 and signed on its behalf.

P D Nagle
Director

GrantThornton

Independent Auditor's Report to the Shareholders of Causeway Technologies Limited

We have audited the financial statements of Causeway Technologies Limited for the year ended 31 December 2016, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practise), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' responsibilities statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit or loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Grant Thornton

Independent Auditor's Report to the Shareholders of Causeway Technologies Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006
In our opinion, based on the work undertaken during the course of the audit:

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

Matters on which we are required to report under the Companies Act 2006
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Directors' Report

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.

Grant Thornton UK LLP

Amrish Shah FCA (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Oxford

Date: 12 April 2017

Statement of Comprehensive Income
For the Year Ended 31 December 2016

	Note	2016 £	2015 £
Turnover	3	**21,514,271**	20,415,172
Cost of sales		**(5,422,575)**	(5,018,075)
Gross profit		**16,091,696**	15,397,097
Administrative expenses		**(14,838,679)**	(15,374,657)
Other operating income		**163,151**	-
Operating profit	6	**1,416,168**	22,440
Interest receivable and similar income	10	**365,052**	122,543
Interest payable and expenses	11	**(69,770)**	(121,900)
Profit before tax		**1,711,450**	23,083
Tax on profit	12	**(90,552)**	575,090
Profit for the year		**1,620,898**	598,173
Total comprehensive income for the year		**1,620,898**	598,173

The notes on pages 10 to 31 form part of these financial statements.

Causeway Technologies Limited
Registered number:03921897

Statement of Financial Position
As at 31 December 2016

	Note		2016 £		2015 £
Fixed assets					
Intangible assets	13		**6,776,514**		5,457,580
Tangible assets	14		**359,752**		437,801
Investments	15		**3,943**		10,844
			7,140,209		5,906,225
Current assets					
Stocks	16	**34,025**		-	
Debtors	17	**10,704,142**		6,346,186	
Cash at bank and in hand	18	**1,948,717**		5,096,155	
		12,686,884		11,442,341	
Creditors: amounts falling due within one year	19	**(2,754,192)**		(3,963,111)	
Net current assets			**9,932,692**		7,479,230
Total assets less current liabilities			**17,072,901**		13,385,455
Provisions for liabilities					
Deferred tax	21	**(46,204)**		-	
			(46,204)		-
Accruals and deferred income	22		**(10,511,156)**		(8,490,812)
Net assets			**6,515,541**		4,894,643
Capital and reserves					
Called up share capital	24		**11,200**		11,200
Share premium account	23		**5,340,800**		5,340,800
Profit and loss account	23		**1,163,541**		(457,357)
			6,515,541		4,894,643

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12/07/2017

P D Nagle
Director

M Howell
Director

The notes on pages 10 to 31 form part of these financial statements.

Statement of Changes in Equity
For the Year Ended 31 December 2016

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2016	11,200	5,340,800	(457,357)	4,894,643
Comprehensive income for the year				
Profit for the year	-	-	1,620,898	1,620,898
At 31 December 2016	11,200	5,340,800	1,163,541	6,515,541

Statement of Changes in Equity
For the Year Ended 31 December 2015

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2015	11,200	5,340,800	(1,055,530)	4,296,470
Comprehensive income for the year				
Profit for the year	-	-	598,173	598,173
At 31 December 2015	11,200	5,340,800	(457,357)	4,894,643

The notes on pages 10 to 31 form part of these financial statements.

Notes to the Financial Statements
For the Year Ended 31 December 2016

1. Accounting policies

1.1 General Information

Causeway Technologies Limited is a limited liability company incorporated in the United Kingdom. Its registered office is at Comino House, Furlong Road, Bourne End, SL8 5AQ.

1.2 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The company has adopted the exemption from the requirement to present a statement of cash flows and related notes in accordance with FRS 102.

1.3 Going concern

The directors have prepared the financial statements on the going concern basis as they believe that the company can continue to meet its liabilities as and when they fall due. The directors have prepared forecasts for the wider group for a period of at least 12 months from the date of approval of these financial statements which indicate that the company is able to operate within its funding facilities.

Notes to the Financial Statements
For the Year Ended 31 December 2016

1. Accounting policies (continued)

1.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, valued added tax and other sales taxes.

The following criteria must also be met before revenue is recognised:

Sale of goods and services

Revenue from the sale of services is recognised when all of the following conditions are satisfied:

- The company has transferred the significant risks and rewards of ownership to the buyer;
- The company retains neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably
- It is probable that the company will receive the consideration due under the transactions
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.
- The stage of completion of the contract at the end of the reporting period can be accessed reliably.

Where the directors consider it possible to unbundle components of revenue which make up a contractual arrangement with a customer, and these components can be fair valued, each component of revenue is recognised separately.

Initial license fees are recognised on delivery of software licences to customers where it can be demonstrated that the risks and rewards of ownership have passed. Annual licence and maintenance fees are recognised on a straight line basis over the life of the contract.

Turnover of maintenance and other professional service contracts is invoiced in advance and released to the profit and loss account on a straight line basis over the course of the contract in line with contract terms.

1. Accounting policies (continued)

1.5 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of comprehensive income over its useful economic life.

Software licences and trademarks

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Purchased goodwill	-	20	years
Software licences and trademarks	-	5	years

1.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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

Depreciation is provided on the following basis:

Buildings and refurbishments	- 10 years
Fixtures and fittings	- 5 years
Computer equipment	- 3 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

Notes to the Financial Statements
For the Year Ended 31 December 2016

1. Accounting policies (continued)

1.7 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.8 Investments

Investments in subsidiaries are valued at cost less provision for impairment.

1.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

1.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Notes to the Financial Statements
For the Year Ended 31 December 2016

1. Accounting policies (continued)

1.12 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the Balance Sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Notes to the Financial Statements
For the Year Ended 31 December 2016

1. Accounting policies (continued)

1.14 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

1.15 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.16 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

1.17 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

Notes to the Financial Statements
For the Year Ended 31 December 2016

1. Accounting policies (continued)

1.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance Sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance Sheet date.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

1.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and

- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

1.20 Research and development

Research and development expenditure is written off in the year in which it is incurred.

Notes to the Financial Statements

2. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with corresponding effect in profit or loss, when, and if, better information is obtained.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment within the next financial year are included below.

Critical judgments that management has made in the process of applying accounting policies disclosed herein and that have a significant effect on the amounts recognised in the financial statements relates to the following:

Depreciation and amortisation rates

The Company depreciates or amortises its intangible and tangible fixed assets over their estimated useful lives, as more fully described in the accounting policies for Intangible and Tangible assets in section 1.5 and 1.6 above. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, developments in the wider business and maintenance programmes. Management believes that the assets have a long track record of stability and achievement and that there are high barriers to market entry. Management is committed to continue to invest in the intangible assets for the long term to maintain and enhance their value.

Deferred tax assets

The recognition of deferred tax assets is based on forecasts of future taxable profit. The measurement of future taxable profit for the purposes of determining whether or not to recognise deferred tax assets depends on many factors, including the Company's ability to generate such profits and the implementation of effective tax planning strategies. The occurrence or not-occurrence of such events in the future may lead to significant charges in the measurement of deferred tax assets.

Impairment of non-financial assets

Where there are indicators of impairment of individual assets, management perform impairment tests based on the fair value less costs to sell or a value in use calculation. The value in use model is based on a discounted cash flow model, cash flow being based on budgets, and estimated discount rates.

Notes to the Financial Statements
For the Year Ended 31 December 2016

3. Analysis of Turnover

An analysis of turnover by class of business is as follows:

	2016 £	2015 £
Annual licence support and development	**21,514,271**	20,415,172

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	**20,742,768**	19,737,951
Rest of the world	**771,503**	677,221
	21,514,271	20,415,172

4. EBITDA

	2016 £	2015 £
Reconcilliation of EBITDA to profit before tax		
EBITDA	**2,097,770**	673,297
Interest receivable	**365,052**	122,543
Interest payable	**(69,770)**	(121,900)
Depreciation	**(205,872)**	(236,432)
Amortisation	**(475,730)**	(414,425)
Profit on ordinary activities before tax	**1,711,450**	23,083

5. Other operating income

	2016 £	2015 £
R&D tax credit	**163,151**	-
	163,151	-

Notes to the Financial Statements

For the Year Ended 31 December 2016

6. Operating profit

The operating profit is stated after charging:

	2016	2015
	£	£
Depreciation of tangible fixed assets	**205,872**	236,432
Amortisation of intangible assets, including goodwill	**475,730**	414,425
Exchange differences	**(5,179)**	4,237
Other operating lease rentals - Land and Buildings	**264,094**	266,363
Defined contribution pension cost	**342,578**	311,673
Exceptional Costs - termination and other	**271,000**	345,000

7. Auditor's remuneration

	2016	2015
	£	£
Audit: The audit of the financial statements	**54,350**	59,600
Non-audit: other services	**33,171**	75,932

Auditor's remuneration for audit and non-audit services is incurred by the Company on behalf of the Group headed by Invesco Software Holdings Limited.

8. Employees

Staff costs were as follows:

	2016	2015
	£	£
Wages and salaries	**9,191,905**	9,215,703
Social security costs	**1,039,149**	1,081,933
Cost of defined contribution scheme	**342,578**	311,673
	10,573,632	10,609,309

The average monthly number of employees, including the directors, during the year was as follows:

	2016	2015
	No.	No.
Employees	**142**	158

Notes to the Financial Statements
For the Year Ended 31 December 2016

9. Directors' remuneration

	2016	2015
	£	£
Directors' emoluments	**1,323,574**	1,282,500
Company contributions to defined contribution pension schemes	**17,499**	39,996
	1,341,073	1,322,496

The highest paid director received remuneration of £719,775 (2015 - £702,500).

There was 1 (2015:1) director within the pension scheme.

10. Interest receivable

	2016	2015
	£	£
Interest receivable from group companies	**321,859**	117,119
Other interest receivable	**43,193**	5,424
	365,052	122,543

11. Interest payable and similar charges

	2016	2015
	£	£
Loans from group undertakings	**69,770**	121,900
	69,770	121,900

Notes to the Financial Statements

For the Year Ended 31 December 2016

12. Taxation

	2016	2015
	£	£
Corporation tax		
Current tax on profits for the year	-	(171,470)
Adjustments in respect of previous periods	**44,348**	(407,742)
	44,348	(579,212)
Total current tax	**44,348**	(579,212)
Deferred tax		
Origination and reversal of timing differences	**46,204**	4,122
Total deferred tax	**46,204**	4,122
Taxation on profit/(loss) on ordinary activities	**90,552**	(575,090)

Notes to the Financial Statements

For the Year Ended 31 December 2016

12. Taxation (continued)

Factors affecting tax charge for the year

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

	2016 £	2015 £
Profit on ordinary activities before tax	**1,711,450**	23,083
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	**342,290**	4,674
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	**65,123**	94,300
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**5,388**	31,655
Additional deduction for R&D expenditure	**(335,234)**	-
Credit in relation to R&D expenditure	**(4,264)**	(171,470)
Adjustments in relation to prior year R&D expenditure	-	(383,966)
Adjustments to tax charge in respect of prior periods	**44,348**	(23,717)
Deferred tax not recognised	**(3,922)**	13,925
Other differences leading to an increase (decrease) in the tax charge	**-**	54,417
Adjust closing deferred tax to average rate of 20%	**(8,154)**	-
Adjust opening deferred tax to average rate of 20%	**(436)**	-
Group relief	**(14,587)**	(194,908)
Total tax charge/(credit) for the year	**90,552**	(575,090)

Notes to the Financial Statements
For the Year Ended 31 December 2016

13. Intangible assets

	Software licences and trademarks £	Goodwill £	Total £
Cost			
At 1 January 2016	815,397	8,934,930	9,750,327
Additions	1,794,664	-	1,794,664
At 31 December 2016	2,610,061	8,934,930	11,544,991
Amortisation			
At 1 January 2016	792,930	3,499,817	4,292,747
Charge for the year	61,956	413,774	475,730
At 31 December 2016	854,886	3,913,591	4,768,477
Net book value			
At 31 December 2016	1,755,175	5,021,339	6,776,514
At 31 December 2015	22,467	5,435,113	5,457,580

Notes to the Financial Statements
For the Year Ended 31 December 2016

14. Tangible fixed assets

	Buildings & refurb's £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2016	425,711	856,443	2,754,843	4,036,997
Additions	12,408	5,094	110,321	127,823
At 31 December 2016	438,119	861,537	2,865,164	4,164,820
Depreciation				
At 1 January 2016	236,516	807,987	2,554,693	3,599,196
Charge for the period on owned assets	40,550	22,113	143,209	205,872
At 31 December 2016	277,066	830,100	2,697,902	3,805,068
Net book value				
At 31 December 2016	161,053	31,437	167,262	359,752
At 31 December 2015	189,195	48,456	200,150	437,801

Notes to the Financial Statements
For the Year Ended 31 December 2016

15. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2016	10,844
Additions	2,143
At 31 December 2016	12,987
Impairment	
Charge for the period	9,044
At 31 December 2016	9,044
Net book value	
At 31 December 2016	3,943
At 31 December 2015	10,844

Notes to the Financial Statements
For the Year Ended 31 December 2016

15. Fixed asset investments (continued)

Subsidiary undertakings

The following are subsidiary undertakings of the company:

Name	Class of Shares	Holding	Principal Activity	Country of Incorporation
Vixen Software Solutions Limited	Ordinary	100%	Dormant	United Kingdom
Integrated FM Limited	Ordinary	100%	Dormant	United Kingdom
Causeway ME Limited	Ordinary	100%	Supplier of computer services	United Arab Emirates
Causeway Middle East FZ-LLC	Ordinary	100%	Supplier of computer Services	United Arab Emirates

Causeway ME Limited was incorporated during the financial year.

The aggregate of the share capital and reserves as at 31 December 2016 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves	Profit/(loss)
	£	£
Vixen Software Solutions Limited	800	-
Integrated FM Limited	(98,495)	-
Causeway Middle East FZ-LLC	-	(1,478,540)
Causeway ME Limited	1,675,438	1,673,295

Notes to the Financial Statements
For the Year Ended 31 December 2016

16. Stocks

	2016 £	2015 £
Raw materials and consumables	**34,025**	-

17. Debtors

	2016 £	2015 £
Due after more than one year		
Amounts owed by group undertakings	**7,278,799**	3,203,103
	7,278,799	3,203,103
Due within one year		
Trade debtors	**2,377,046**	1,812,414
Other debtors	**75,448**	68,913
Prepayments and accrued income	**664,429**	682,544
Tax recoverable	**308,420**	579,212
	10,704,142	6,346,186

18. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	**1,948,717**	5,096,155

19. Creditors: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	**319,552**	389,700
Amounts owed to group undertakings	**1,736,515**	2,855,877
Other taxation and social security	**535,434**	516,163
Other creditors	**162,691**	201,371
	2,754,192	3,963,111

Notes to the Financial Statements

For the Year Ended 31 December 2016

20. Financial instruments

	2016 £	2015 £
Financial assets		
Cash at bank	**1,948,717**	5,096,155
Trade debtors	**2,377,046**	1,812,414
Other debtors	**75,448**	68,913
Amounts owed by group undertakings	**7,278,799**	3,203,103
	11,680,010	10,180,585
Financial liabilities		
Trade creditors	**319,552**	389,700
Amounts owed to group undertakings	**1,736,515**	2,855,877
Accruals	**476,917**	416,714
Other creditors	**162,691**	201,371
	2,695,675	3,863,662

21. Deferred taxation

	2016 £	2015 £
At beginning of year	**-**	4,122
Charged to profit or loss	**(46,204)**	(4,122)
	(46,204)	-

The deferred taxation balance is made up as follows:

	2016 £	2015 £
Accelerated capital allowances	**(54,459)**	-
Short term timing differences	**7,052**	-
Tax losses carried forward and other deductions	**1,203**	-
	(46,204)	-

Notes to the Financial Statements
For the Year Ended 31 December 2016

22. Accruals and deferred income

	2016	2015
	£	£
Less than one year	**10,511,156**	8,490,812

Deferred income of £10,034,239 (2015: £8,074,097) is included within accruals and deferred income. This balance comprises amounts received in advance with turnover deferred until the service has been provided. There is no cashflow associated with this balance.

23. Reserves

Share premium

The share premium account includes any premiums received on the issue of share capital. Any transaction costs associated with the issue of shares are deducted from share premium.

Profit and loss account

The profit and loss account includes all current and prior year retained profits and losses.

24. Share capital

	2016	2015
	£	£
Shares classified as equity		
Authorised		
15,000,000 Ordinary shares of £0.001 each	**15,000**	15,000
Allotted, called up and fully paid		
11,200,000 Ordinary shares of £0.001 each	**11,200**	11,200

Notes to the Financial Statements
For the Year Ended 31 December 2016

25. Contingent liabilities

The company is party to a cross guarantee in respect of bank borrowings of the ultimate holding company, Invesco Software Holdings Limited. The amount due to the bank as at 31 December 2016 is £12,855,000 (2015: £15,711,666).

The company set up an incentive arrangement in the years ended 31 December 2010 to 2014 for key management personnel. These arrangements are currently subject to enquiry by HMRC.

If HMRC determine that the arrangements are not a valid incentive plan for tax purposes, Employer's and Employee's National Insurance Contributions and PAYE could be due and payable by the company. HMRC have not given an indication as to when they might conclude their enquiry. The directors are vigorously defending the tax status of the arrangements and are of the opinion that no further tax liabilities will arise. However, it is considered appropriate to disclose a contingent liability in respect of this issue.

If HMRC were successful in challenging the position, the directors' current best estimate of the maximum potential exposure is £2.2m. However, under the terms of the arrangement, the company has recourse to the beneficiaries of the arrangement for reimbursement of the PAYE and Employee's National Insurance Contributions amounting to £1.5m. This has the potential to substantially reduce any net exposure. The company intends to exercise this right.

There were no other contingent liabilities at 31 December 2016 or 31 December 2015.

26. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension costs charge represents contributions payable by the group to the fund and amounted to £342,578 (2015: £311,673). Contributions totalling £41,480 (2015: £42,731) were payable to the fund at the balance sheet date and are included in creditors.

27. Commitments under operating leases

At 31 December 2016 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2016	2015
	£	£
Not later than 1 year	**54,390**	54,390
Later than 1 year and not later than 5 years	**140,508**	194,716
	194,898	249,106

Notes to the Financial Statements
For the Year Ended 31 December 2016

28. Related party transactions

During the year the company purchased services of £22,731 (2015: £12,052) and received a refund of £Nil (2015: £20,000) from Powershift Media Limited, a company in which Mr P D Nagle is a director. There was £19,778 due to (2015: £26 due from) Powershift Media Limited at the year-end.

During the year the company incurred expenses of £1,025,127 (2015: £458,996) on behalf of Livestax Limited, a company in which P Brown and M Howell are directors. P Nagle, P Brown and M Howell own 100% of the ordinary share capital of Livestax Limted. During the year, the company acquired a perpetual software licence from Livestax Limited in settlement of all amounts receivable amounting to £1,494,664. As at 31 December 2015 £458,996 was due to the company.

During the year the company made sales of £60,000 (£2015: Nil) to Comino Media Limited, a related party by virtue of a common director.

During the year the company incurred expenses of £599 (2015:£518) on behalf of BR Data Limited, a related party by virtue of common directors. At 31 December 2016 £1,117 (2015:£518) was due to the company.

During the year the company incurred expenses of £301,099 (2015: £273,466) on behalf of Secura Hosting Ltd, a related party by virtue of common directors. At 31 December 2016 £40,019 (2015: £5,294) was due to Secura Hosting Ltd.

During the year the company incurred expenses of £1,547 (2015: £1,985) on behalf of Haringtons Salon Holdings Limited, a related party by virtue of common directors. At 31 December 2016 £400 (2015: £2,250) was due to Haringtons Salon Holdings Limited.

During the year the company purchased a licence for £300,000 from Cinesite VFX Limited, a related party by virtue of a common director.

As a wholly owned subsidiary of Invesco Software Holdings Limited, the company is exempt under FRS 102 from the requirement to disclose transactions with other members of the group headed by Invesco Software Holdings Limited.

29. Controlling party

The ultimate parent undertaking of this company is Invesco Software Holding Limited, a company incorporated in England & Wales. Copies of the group financial statements of Invesco Software Holdings can be obtained from Comino House, Furlong Road, Bourne End, SL8 5AQ.