

REGISTERED NUMBER: 05142229 (England and Wales)

COMMUNISIS DATA INTELLIGENCE LIMITED
STRATEGIC REPORT, DIRECTORS' REPORT AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015



COMMUNISIS DATA INTELLIGENCE LIMITED

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COMMUNISIS DATA INTELLIGENCE LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2015**

DIRECTORS: Mr A M Blundell
Mr M A Stoner

SECRETARY: Mrs S L Caddy

REGISTERED OFFICE: Communisis House
Manston Lane
Leeds
LS15 8AH

REGISTERED NUMBER: 05142229 (England and Wales)

AUDITORS: Ernst and Young LLP, Statutory Auditor
1 Bridgewater Place
Water Lane
Leeds
LS11 5QR

COMMUNISIS DATA INTELLIGENCE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their Strategic Report for the year ended 31 December 2015.

RESULTS

Communis Data Intelligence Limited (CDI) delivered a significant upturn in financial performance in 2015 compared to 2014. Profit after tax of £92,646 was delivered compared to a loss after tax of £534,590 in 2014. The turnover for the year was £4,052,754 (2014 £4,863,038).

During the year CDI's new management team focused on a broader analytical and consultancy capability; this enabled the Company to increase its range of services and open up new opportunities with clients in sectors beyond its traditional Financial Services base. CDI has also successfully identified new business opportunities via closer integration with its PSONA sister agencies and the wider Communis Group.

CDI has consequently delivered significant improvement across all key performance metrics during 2015. There has been strong growth in profitability and operating margin.

Key Performance Indicators

	2015	2014
Gross profit margin (%)	62	58
Operating margin (%)	3	(14)
Profit / (loss) before taxation (£)	120,646	(684,790)

STRATEGY AND IMPLEMENTATION

CDI is a subsidiary of Communis UK Limited. The principal activity of the Company during the year was the provision of data services. CDI provides a number of services which include (but are not limited to) data segmentation, cleansing, profiling and matching, analytics, consultancy and database design and development. The Company is able to provide all or part of its service offerings to any of its existing or new clients.

To assist in delivering further growth in 2016 the Company is focussing less on data services and concentrating on its consulting, analytics and database offerings. In addition, the Company now delivers an integrated offering with other business divisions within the Group, particularly Communis Digital and the PSONA agencies.

COMMUNISIS DATA INTELLIGENCE LIMITED

STRATEGIC REPORT - continued FOR THE YEAR ENDED 31 DECEMBER 2015

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the business are taken directly from the risk registers and are detailed below. The Company faces other risks which are subject to regular review and, have been assessed as lower risk and are therefore not included here. Some risk factors remain beyond the direct control of the Company and the Risk Management Programme. We can therefore, only provide reasonable but not absolute assurance that key risks are managed to an acceptable level.

Risk Area	Impact	Mitigating Actions and Management
The Company must be able to respond to market and technological change	<p>Clients' and their customers' progressive adoption of digital formats and channels may impact Company strategy and market demand for products and services.</p> <p>The impact is that the systems and equipment utilised by the Company could be superseded earlier than anticipated by management.</p>	<ul style="list-style-type: none">- Continued investment in technology and new services maintains and enhances the Company's competitive position.- Specific teams have been introduced within the business to lead Change and Innovation.- The Company is committed to developing or procuring new types of technology in order to be able to provide the latest services to Clients and therefore maintain its competitive position.
Safeguarding of data and Cyber risk	<p>The Company processes personal and sensitive data on behalf of Clients as part of its core services.</p> <p>The impacts are that:</p> <ul style="list-style-type: none">- A failure to maintain a secure and fully functional IT infrastructure could result in an inability to meet contractual service obligations; and- The confidentiality, integrity and availability of information processed by the Company could be compromised by human error, systems failure, equipment malfunction or deliberate unauthorised action, any of which could result in reputational damage and financial loss.	<ul style="list-style-type: none">- Continued investment in IT infrastructure, security and monitoring, guards against the inappropriate use of Client data and maintains and enhances the effectiveness of controls.- Established information and security standards are subject to regular third-party audits.-- Processes to deal with Cloud Computing assessment and risk management have been implemented.- Core areas of the Company are subject to Certification including ISO/IEC 27001.

COMMUNISIS DATA INTELLIGENCE LIMITED

STRATEGIC REPORT - continued FOR THE YEAR ENDED 31 DECEMBER 2015

PRINCIPAL RISKS AND UNCERTAINTIES - continued

<p>Existing Client concentration may mean that the loss of a major Client could materially decrease sales</p>	<p>A substantial percentage of the Company's revenues are derived from a relatively small number of Clients and therefore the loss of one or more of these Clients could have a material impact on the Company's sales. This could result in a material decrease in profitability whilst new contracts are sought and excess capacity reduced.</p> <p>In the year ended 31 December 2015 the top three Clients of the Company accounted for approximately 54 per cent of sales.</p>	<ul style="list-style-type: none"> - A strategic account management programme operates to preserve Client relationships, monitor compliance with service level agreements and expand the services offered to key Clients. - Business development activities continue to promote the Company's services in a broad range of market sectors and into international markets, reducing the historical reliance on the financial services sector. - Long-term Client relationships and associated contractual commitments are developed.
<p>Deterioration in the economic environment may decrease profitability</p>	<p>The impact is that that macro-economic issues may quickly and detrimentally affect consumer expenditure, which could impact the trading performance of the Company's Clients and reduce their discretionary spend resulting in lower sales and profitability.</p>	<ul style="list-style-type: none"> - Market trends are monitored and factored into the Company's business planning, budgeting and management processes. - Volume erosion protection is included in contract terms where possible.
<p>Clients rely upon proven resilient business operations</p>	<p>Certain Company operations depend upon the uninterrupted delivery of products and services that rely on complex computer networks and systems.</p> <p>The impact is that the Company may face a significant business continuity incident that will materially affect its ability to deliver products or services to its Clients, and associated financial penalties.</p>	<ul style="list-style-type: none"> - A Business Continuity Management (BCM) System and BCM plans are in place. These are exercised and audited for core areas of the Company.

COMMUNISIS DATA INTELLIGENCE LIMITED

**STRATEGIC REPORT - continued
FOR THE YEAR ENDED 31 DECEMBER 2015**

PRINCIPAL RISKS AND UNCERTAINTIES - continued

Talent and skills recruitment and retention	Without learning, development resource and succession planning, there is a risk that the Company will be unable to develop, retain and motivate highly skilled employees that are necessary to support operations, expand and build Client relationships.	<ul style="list-style-type: none">- The Company actively monitors senior leadership to ensure motivation is maintained, that succession plans are in place and applied to relevant team members.- The Company has policies and procedures in place for training and development. Business operational expansion and acquisitions also help to ensure that the Company has the right skills.- The Company provides regular training on health and safety for all employees and monitors performance to ensure compliance with all relevant regulations and employment laws across all jurisdictions in which the Company operates.
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SIGNED ON BEHALF OF THE DIRECTORS:



Mr M A Stoner - Director

21 September 2016

COMMUNISIS DATA INTELLIGENCE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report and the Financial Statements of the Company for the year ended 31 December 2015.

DIVIDENDS

There were no dividends paid during the year (2014 £3,000,000).

FUTURE DEVELOPMENTS

The Company is expected to trade on the same basis for the foreseeable future in line with the Company's strategic initiatives as set out in the Strategic Report on pages 2 to 5.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2015 to the date of this report.

Mr A M Blundell
Mr M A Stoner

Other changes in directors holding office are as follows:

Mr D Rushton and Mr N G Howes ceased to be directors after 31 December 2015 but prior to the date of this report.

FINANCIAL INSTRUMENTS

The Company finances its activities with a combination of intercompany loans with other Group entities, and cash. Overdrafts are used to satisfy short term cash flow requirements. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities.

Financial instruments give rise to interest rate, credit, price and liquidity risk. These are managed at a group level, and further details can be obtained from the Communisis plc Financial Statements.

DIRECTORS' INDEMNITY INSURANCE

Communisis plc has granted an indemnity to each of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity remains in force as at the date of approving the Directors' Report. The indemnity is controlled and paid centrally by the ultimate parent company.

GOING CONCERN

As at 31 December 2015 the Company had net current assets of £720,792 (2014 £478,520) of which £3,113,547 is due to other Group companies. The Accounts have been prepared on the going concern basis as the ultimate parent company, Communisis plc, has agreed to provide financial support to the Company for the foreseeable future.

DISCLOSURE IN THE STRATEGIC REPORT

The Companies Act 2006 requires us to present a fair review of the business during the year to 31 December 2015 and of the position of the Company at the end of the financial period along with a description of the principal risks and uncertainties faced. The Strategic Report can be found on pages 2 to 5.

COMMUNISIS DATA INTELLIGENCE LIMITED

DIRECTORS' REPORT - continued FOR THE YEAR ENDED 31 DECEMBER 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Financial Statements for each financial year. Under that law the directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 year.

In preparing these Financial Statements, the directors are required to:

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

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

Ernst and Young LLP have been re-appointed as auditor for the ensuing year in accordance with section 485 of the Companies Act 2006.

SIGNED ON BEHALF OF THE DIRECTORS:

Mrs S L Caddy - Secretary



21 September 2016

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF COMMUNISIS DATA INTELLIGENCE LIMITED

We have audited the Financial Statements of Communisis Data Intelligence Limited for the year ended 31 December 2015 which comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Financial Statements to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
COMMUNISIS DATA INTELLIGENCE LIMITED - continued**

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Christabel Cowling (Senior Statutory Auditor)
for and on behalf of Ernst and Young LLP, Statutory Auditor
Leeds

26 September 2016

COMMUNISIS DATA INTELLIGENCE LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	2015 £	2014 £
TURNOVER	3	4,052,754	4,863,038
Cost of sales		<u>(1,534,943)</u>	<u>(2,039,244)</u>
GROSS PROFIT		2,517,811	2,823,794
Administrative expenses		<u>(2,397,165)</u>	<u>(3,508,584)</u>
OPERATING PROFIT/(LOSS) and PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	5	120,646	(684,790)
Tax on profit/(loss) on ordinary activities	6	<u>(28,000)</u>	<u>150,200</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>92,646</u>	<u>(534,590)</u>

The notes on pages 14 to 33 form part of these Financial Statements

COMMUNISIS DATA INTELLIGENCE LIMITED

**OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	2015 £	2014 £
PROFIT/(LOSS) FOR THE YEAR		92,646	(534,590)
OTHER COMPREHENSIVE INCOME		_____ -	_____ -
TOTAL COMPREHENSIVE INCOME / (EXPENSE) FOR THE YEAR		92,646	(534,590)
		=====	=====

The notes on pages 14 to 33 form part of these Financial Statements

COMMUNISIS DATA INTELLIGENCE LIMITED (REGISTERED NUMBER: 05142229)

**BALANCE SHEET
31 DECEMBER 2015**

	Notes	2015 £	2014 £
FIXED ASSETS			
Intangible assets	8	608,701	745,139
Tangible assets	9	<u>16,222</u>	<u>29,410</u>
		<u>624,923</u>	<u>774,549</u>
CURRENT ASSETS			
Debtors	10	1,198,595	1,327,668
Cash at bank		<u>3,466,813</u>	<u>2,909,034</u>
		4,665,408	4,236,702
CREDITORS			
Amounts falling due within one year	11	<u>(3,944,616)</u>	<u>(3,758,182)</u>
NET CURRENT ASSETS		<u>720,792</u>	<u>478,520</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,345,715</u>	<u>1,253,069</u>
CAPITAL AND RESERVES			
Called up share capital	14	231	231
Share premium	15	562,324	562,324
Retained earnings	15	<u>783,160</u>	<u>690,514</u>
SHAREHOLDERS' FUNDS	18	<u>1,345,715</u>	<u>1,253,069</u>

The Financial Statements were approved by the Board of Directors on 21 September 2016 and were signed on its behalf by:



Mr M A Stoner - Director

The notes on pages 14 to 33 form part of these Financial Statements

COMMUNISIS DATA INTELLIGENCE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1 January 2014	231	4,225,104	562,324	4,787,659
Changes in equity				
Dividends	-	(3,000,000)	-	(3,000,000)
Total comprehensive expense	<u>-</u>	<u>(534,590)</u>	<u>-</u>	<u>(534,590)</u>
Balance at 31 December 2014	<u>231</u>	<u>690,514</u>	<u>562,324</u>	<u>1,253,069</u>
Changes in equity				
Total comprehensive income	<u>-</u>	<u>92,646</u>	<u>-</u>	<u>92,646</u>
Balance at 31 December 2015	<u>231</u>	<u>783,160</u>	<u>562,324</u>	<u>1,345,715</u>

The notes on pages 14 to 33 form part of these Financial Statements

COMMUNISIS DATA INTELLIGENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE

The Financial Statements of Communisis Data Intelligence Limited (the "Company") for the year ended 31 December 2015 were authorised for issue on 21 September 2016 and the Balance Sheet was signed on the board's behalf by Mr M A Stoner. Communisis Data Intelligence Limited is incorporated and domiciled in England and Wales.

The Company Financial Statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable United Kingdom law and accounting standards. The Company has used a true and fair view override in respect of the non amortisation of goodwill.

The Company's Financial Statements are presented in Sterling and all values are rounded to the nearest pound (£) except when otherwise indicated.

The accounts present information about the Company as an individual undertaking and not about its group, as the Company has taken advantage of the exemption provided by section 400 of the Companies Act 2006 not to prepare Consolidated Financial Statements as it is included by full consolidation in the Consolidated Financial Statements of the largest UK group, Communisis plc, a company incorporated in England and Wales.

The principal accounting policies adopted by the Company are set out in Note 2.

2. ACCOUNTING POLICIES

Basis of preparation

The Company transitioned from previously extant UK GAAP to FRS 101 for all periods presented. Transition reconciliations showing all material adjustments are disclosed in Note 20.

The accounting policies which follow set out those policies which apply in preparing the Financial Statements for the year ended 31 December 2015.

COMMUNISIS DATA INTELLIGENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015

2. ACCOUNTING POLICIES- continued

The company has taken advantage of the following disclosure exemptions in preparing these Financial Statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) of IAS 36 Impairments of Assets.

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and cash flow risk are described in the Strategic Report on pages 2 to 5.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

Significant accounting judgements and estimates

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the Balance Sheet date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Impairment of goodwill

The Company determines whether goodwill is impaired on at least an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

COMMUNISIS DATA INTELLIGENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015

2. ACCOUNTING POLICIES - continued

Turnover recognition

Turnover from delivery of customer projects provided in accordance with long-term contracts is recognised based on the stage of completion. This method relies on the estimates of total expected contract revenues and costs, as well as reliable measurement of the progress made towards completion. Unless the financial outcome of a contract can be estimated with reasonable certainty, no turnover is recognised.

Summary of significant accounting policies

Turnover

The turnover shown in the Income Statement represents the value of services provided during the year, stated net of value added tax.

Turnover from delivery of customer projects is recognised by reference to the stage of completion. Stage of completion is estimated using an appropriate measure according to the nature of the contract such as costs incurred relative to total anticipated costs or other measures such as contracted performance milestone completion. Where the project outcome cannot be measured reliably, turnover is recognised only to the extent of the expenses recognised that are recoverable.

Goodwill

The UK Companies Act required goodwill to be reduced by provisions for amortisation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the Company does not amortise goodwill, but reviews it for impairment on an annual basis or wherever there are indicators of impairment. The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. Had the Company amortised goodwill a maximum of 10 years would have been chosen as the useful life for goodwill. The profit for the year would have been £101,266 lower (2014 £113,240 lower) had goodwill been amortised in the year.

Goodwill on acquisitions is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Any unamortised goodwill on 1 January 2014, the date of transition to FRS 101, was frozen from that date.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that its carrying value may be impaired. Goodwill is allocated to the related cash generating units monitored by management for the purpose of impairment testing.

COMMUNISIS DATA INTELLIGENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015

2. ACCOUNTING POLICIES - continued

Tangible fixed assets

Tangible fixed assets stated at cost less accumulated depreciation and accumulated impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and Machinery 3 to 4 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of tangible fixed assets is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Useful economic lives, depreciation methods and residual values are reviewed annually. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the Income Statement.

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets created within the business are not capitalised (unless specific conditions are met) and expenditure is charged to the Income Statement in the year in which the expenditure is incurred.

Computer software costs

Acquired computer software and licenses are capitalised. These costs are amortised over their estimated useful lives (five years). Costs associated with maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will generate probable economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the costs of software development employees. These costs are amortised over their estimated useful lives (five years). Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Hire purchase and leasing commitments

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the assets.

Operating lease payments are recognised as an expense in the Income Statement on a straight-line basis over the lease term or in accordance with utilisation of the leased asset if more appropriate.

COMMUNISIS DATA INTELLIGENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015

2. ACCOUNTING POLICIES - continued

Income tax

Current tax

Current tax, being UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax

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

Deferred income tax liabilities are recognised for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill, or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income 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. 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 income 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 income tax assets and liabilities are measured at the tax rates that are expected to apply to the year 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 Balance Sheet date.

Income tax relating to items recognised in other comprehensive income or directly in equity is also recognised in other comprehensive income or directly in equity.

COMMUNISIS DATA INTELLIGENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015

2. ACCOUNTING POLICIES - continued

Employee benefit costs

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

Debtors

Debtors, which generally have 30-90 days credit terms, are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made. Bad debts are written off when identified.

Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Creditors

Creditors, which generally have 30-90 days' credit terms, are recognised and carried at original invoice amount.

Share based payments

Certain directors and management are eligible to participate in share-based payment schemes, all of which are equity-settled.

The cost of equity-settled transactions with employees is measured by reference to their fair value at the date at which they are granted. The fair value is determined by an external valuer using an appropriate model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Communis plc ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting or non-vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance or service conditions are satisfied.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the Income Statement for the award is expensed immediately. This includes any awards where non-vesting conditions within the control of the Company or the employee are not met. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the Income Statement.

Where an equity-settled award is forfeited, the total cost recognised in the Income Statement to date for the award is reversed.

COMMUNISIS DATA INTELLIGENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015

2. ACCOUNTING POLICIES - continued

Financial instruments

Financial assets and financial liabilities are recognised in the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities

The Company's financial liabilities include borrowings, hire purchase and trade and other creditors, which are all classified as 'financial liabilities'. Financial liabilities are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled, or they expire.

Dividend recognition

The Company recognises final dividends on approval by the Board of Directors.

3. TURNOVER

The turnover and operating profit for the period was derived from the Company's principal continuing activity which was carried out wholly in the UK.

4. EMPLOYEES AND DIRECTORS

The average number of staff employed by the company during the financial year amounted to:

	2015 No	2014 No
Number of production staff	26	17
Number of administrative staff	1	27
	<u>27</u>	<u>44</u>
	2015 £	2014 £
Wages and salaries	1,479,439	1,995,632
Social security costs	163,129	213,366
Other pension costs	53,282	89,236
Equity-settled share-based payments	2,459	-
	<u>1,698,309</u>	<u>2,298,234</u>

COMMUNISIS DATA INTELLIGENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015

4. EMPLOYEES AND DIRECTORS - continued

The total emoluments of the directors of the Company (including those paid through other Group Companies) were as follows:

	2015	2014
	£	£
Remuneration receivable	<u>1,980,849</u>	<u>1,602,105</u>
Remuneration of highest paid director	<u>638,332</u>	<u>599,481</u>

Three of the directors exercised share options during the year ended 31 December 2015 (2014 - none). Three of the directors had benefits accruing under the Group's pension schemes during the period ended 31 December 2015 (2014 - three).

It is not practicable to apportion the emoluments of the directors amongst subsidiary entities in relation to their qualifying services provided.

5. PROFIT/(LOSS) BEFORE TAXATION

The profit before taxation (2014 - loss before taxation) is stated after charging:

	2015	2014
	£	£
Operating leases – Plant and Equipment	17,393	18,256
Operating leases – Land and Buildings	-	39,311
Depreciation - owned assets	13,188	9,390
Amortisation	180,245	211,775
Auditors' remuneration	5,000	5,125
Exceptional staff costs	<u>-</u>	<u>260,199</u>

During 2014 the Company incurred £260,199, in respect of organisational restructuring which included integration costs relating to the new design agency, PSONA.

COMMUNISIS DATA INTELLIGENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015

6. TAXATION

Analysis of tax expense/(income)

	2015 £	2014 £
Current income tax:		
Current income tax charge	41,000	(122,000)
Amounts underprovided in previous years	-	2,800
Total current income tax	<u>41,000</u>	<u>(119,200)</u>
Deferred tax	(14,000)	(19,000)
Amounts overprovided in prior years	-	(12,000)
Impact of change of tax rates	1,000	-
Total deferred tax	<u>(13,000)</u>	<u>(31,000)</u>
Total tax expense/(income) in income statement	<u>28,000</u>	<u>(150,200)</u>

Reconciliation of the total tax expense/(income)

The tax assessed for the year is higher (2014 – lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2015 £	2014 £
Profit/(loss) on ordinary activities before income tax	<u>120,646</u>	<u>(684,790)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.25% (2014 - 21.50%)	24,431	(147,230)
Effects of:		
Expenses not deductible for tax purposes	2,912	28,634
Movement in deferred tax not provided	(343)	1,041
Adjustments in respect of prior years - FRS 101 adjustment re amortisation	-	(23,445)
Adjustment to tax charge in respect of prior periods	-	(9,200)
Adjustment to tax charge in respect of prior periods – change of tax rate	1,000	-
Tax expense/(income)	<u>28,000</u>	<u>(150,200)</u>

COMMUNISIS DATA INTELLIGENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015

7. DIVIDENDS

	2015 £	2014 £
Ordinary shares of £1 each		
Final	-	3,000,000

8. INTANGIBLE FIXED ASSETS

	Goodwill £	Computer software £	Totals £
COST			
At 1 January 2015	1,132,400	892,923	2,025,323
Additions	-	43,807	43,807
Disposals	-	(145,928)	(145,928)
At 31 December 2015	1,132,400	790,802	1,923,202
AMORTISATION			
At 1 January 2015	859,251	420,933	1,280,184
Amortisation for year	-	180,245	180,245
Eliminated on disposal	-	(145,928)	(145,928)
At 31 December 2015	859,251	455,250	1,314,501
NET BOOK VALUE			
At 31 December 2015	273,149	335,552	608,701
At 31 December 2014	273,149	471,990	745,139

Goodwill acquired through business combinations has been allocated to the CDI business unit for impairment testing purposes. This represents the lowest level within the Company at which goodwill is monitored for internal management purposes.

The recoverable amount of the CDI cash generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the board over 5 years. No indication of impairment has been identified as a result.

The Company owns 100% of the issued ordinary share capital of the companies listed below:

Name	Country of Incorporation	Nature of Business
Absolute Data Solutions Limited	United Kingdom	Dormant
Intuistic Limited	United Kingdom	Dormant
B2E Consultancy Limited	United Kingdom	Dormant

COMMUNISIS DATA INTELLIGENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015

9. TANGIBLE FIXED ASSETS

	Plant and machinery £
COST	
At 1 January 2015	287,524
Disposals	<u>(163,676)</u>
At 31 December 2015	<u>123,848</u>
DEPRECIATION	
At 1 January 2015	258,114
Charge for year	13,188
Eliminated on disposal	<u>(163,676)</u>
At 31 December 2015	<u>107,626</u>
NET BOOK VALUE	
At 31 December 2015	<u>16,222</u>
At 31 December 2014	<u>29,410</u>

There were no assets subject to finance leases or hire purchases leases included in the above figures.

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £	2014 £
Amounts falling due within one year:		
Trade debtors	801,870	835,900
Other debtors	577	8,160
Owed by group undertakings	51,231	49,845
Income tax	-	122,000
Prepayments and accrued income	<u>315,917</u>	<u>295,763</u>
	<u>1,169,595</u>	<u>1,311,668</u>
Amounts falling due after more than one year:		
Deferred tax asset	<u>29,000</u>	<u>16,000</u>
Aggregate amounts	<u>1,198,595</u>	<u>1,327,668</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £	2014 £
Trade creditors	325,869	295,291
Amounts owed to group undertakings	3,164,778	3,170,169
Income tax	41,000	-
Social security and other taxes	54,344	80,947
Accruals and deferred income	<u>358,625</u>	<u>211,775</u>
	<u>3,944,616</u>	<u>3,758,182</u>

COMMUNISIS DATA INTELLIGENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015

12. OPERATING LEASES

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2015 £	2014 £
Within one year	2,438	18,256
Between one and five years	-	13,412
	<u>2,438</u>	<u>31,668</u>

13. DEFERRED TAX

	£
Balance at 1 January 2015	(16,000)
Income Statement credit	(14,000)
Movement in respect of prior years	<u>1,000</u>
Balance at 31 December 2015	<u>(29,000)</u>

The Finance (No. 2) Act 2015 obtained Royal Assent on 18 November 2015 and enacted a reduction in the UK corporation tax rate from 20% to 19% effective from 1 April 2017 and a further reduction to 18% effective from 1 April 2020. Furthermore the Finance Act 2016 obtained Royal Assent on 15 September 2016 and stated that the 18% rate given above will, in fact, be reduced to 17%. This is not enacted at the balance sheet date and so not reflected in the deferred tax calculations.

Deferred tax has been provided at 18% being the rate at which the temporary differences were expected to reverse as at the Balance Sheet date.

14. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2015 £	2014 £
231	Ordinary	£1	<u>231</u>	<u>231</u>

15. RESERVES

	Retained earnings £	Share premium £	Totals £
At 1 January 2015	690,514	562,324	1,252,838
Profit for the year	<u>92,646</u>	-	<u>92,646</u>
At 31 December 2015	<u>783,160</u>	<u>562,324</u>	<u>1,345,484</u>

COMMUNISIS DATA INTELLIGENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015

16. ULTIMATE CONTROLLING PARTY

The ultimate parent undertaking and controlling party is Communisis plc, a company registered in England which prepares Group accounts. The immediate parent company is Communisis UK Limited, also a company registered in England. The only Group into which the results of the Company are consolidated is that headed by Communisis plc. Copies of the Group accounts of Communisis plc can be obtained by writing to:

The Secretary
Communisis plc
Communisis House
Manston Lane
Leeds
LS15 8AH

17. RELATED PARTY DISCLOSURES

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

During the year the directors were remunerated for services provided to the Group. This has been disclosed in Note 4. The directors are considered to be key management personnel.

There were no other related party transactions in the year that require disclosure under IAS 24.

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2015 £	2014 £
Profit/(loss) for the financial year	92,646	(534,590)
Dividends	-	(3,000,000)
Net addition/(reduction) to shareholders' funds	92,646	(3,534,590)
Opening shareholders' funds	<u>1,253,069</u>	<u>4,787,659</u>
Closing shareholders' funds	<u>1,345,715</u>	<u>1,253,069</u>

COMMUNISIS DATA INTELLIGENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015

19. SHARE-BASED PAYMENT TRANSACTIONS

The Communisis Long Term Incentive Plan 2007

Certain directors and managers are eligible to participate in this plan at the discretion of the Remuneration Committee. The exercise price in respect of options granted under the scheme is £nil. There are no cash settlement alternatives.

There are no options granted under this scheme prior to 2011 which are still outstanding.

For the options granted under this scheme in 2011, no options will vest unless the three month rolling average share price increases to more than 32.742p. At 50p 19.78% of the awards will vest, at a share price of 70p 52.78% will vest and 100% vesting will be attained if the share price exceeds 90p. Vesting will occur on a straight-line pro rata basis between the thresholds outlined above. No vested shares can be released before the third anniversary of the award date and they cannot be exercised for at least two years after the attainment of the threshold.

For options granted under this scheme in 2013 a maximum of 60% of the options will vest on the attainment of certain share price thresholds and the remaining 40% will vest on the attainment of Return on Sales targets in the year ended 31 December 2015. The share price measure is calculated by reference to the average share price in the final three months of the three year performance period in comparison with the average share price in the three months immediately preceding grant ("Base Share Price"). If the closing average share price is 10p above the Base Share Price 25% of this tranche of options will vest; if the closing average share price exceeds 90p 100% of this tranche will vest; for attainment between these thresholds vesting will occur on a straight-line pro rata basis. The Return on Sales performance will be measured as the profit from operations before exceptional items as a percentage of total revenue excluding pass through revenue for the Group in the year ended 31 December 2015. If the return on sales reaches 7.5% 25% of this tranche of options will vest increasing to 100% vesting if the measure exceeds 10%; for attainment between these thresholds vesting will occur on a straight-line pro rata basis.

For options granted under this scheme in 2014 a maximum of 60% of the options will vest on the attainment of certain share price thresholds and the remaining 40% will vest on the attainment of growth in Earnings per Share over the financial years 2014-16. The share price measure is calculated by reference to the average share price in the final three months of the three year performance period in comparison with the average share price in the three months immediately preceding grant ("Base Share Price"). If the closing average share price is 10p above the Base Share Price 25% of this tranche of options will vest; if the closing average share price exceeds 105p 100% of this tranche will vest; for attainment between these thresholds vesting will occur on a straight-line pro rata basis. The Earnings per Share performance will be measured on the basis of Adjusted Basic Earnings per Share (being Earnings per Share from continuing operations before exceptional items and amortisation of acquired intangible assets and the tax effect of these items). Vesting will be calculated by comparing Earnings per Share at the end of financial year 2016 to the Earnings per Share at 31 December 2013 and calculating the compound annual growth rate. If the compound Earnings per Share growth reaches 7.5% per annum 25% of this tranche of options will vest increasing to 100% vesting if Earnings per Share growth exceeds 15% per annum; for attainment between these thresholds vesting will occur on a straight-line pro rata basis.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015**

19. SHARE-BASED PAYMENT TRANSACTIONS - continued

For options granted under this scheme in 2015 a maximum of 20% of the options will vest on the attainment of certain share price thresholds and the remaining 80% will vest on the attainment of growth in Earnings per Share over the financial years 2015-17. The share price measure is calculated by reference to the average share price in the final three months of the three year performance period in comparison with the average share price in the three months immediately preceding grant ("Base Share Price"). If the closing average share price is 10p above the Base Share Price 25% of this tranche of options will vest; if the closing average share price exceeds 90p 100% of this tranche will vest; for attainment between these thresholds vesting will occur on a straight-line pro rata basis. The Earnings per Share performance will be measured on the basis of Adjusted Basic Earnings per Share (being Earnings per Share from continuing operations before exceptional items and amortisation of acquired intangible assets and the tax effect of these items). Vesting will be calculated by comparing Earnings per Share at the end of financial year 2017 to the Earnings per Share at 31 December 2014 and calculating the compound annual growth rate. If the compound Earnings per Share growth reaches 7.5% per annum 25% of this tranche of options will vest increasing to 100% vesting if Earnings per Share growth exceeds 15% per annum; for attainment between these thresholds vesting will occur on a straight-line pro rata basis.

The Remuneration Committee will only sanction vesting of the awards granted if they are satisfied as to the Group's underlying financial performance in the performance period.

The fair value of options granted under the Long Term Incentive Plan 2007 in the year to 31 December 2015 was estimated on the date of grant using a binomial simulation option pricing model, taking into account the terms and conditions upon which the options were granted. The following weighted average assumptions were used in that model: an expected life of three years; share price at the date of grant of £0.5472 (2014 £0.5983); estimated annualised dividend yield of approximately 3.444% (2014 3.375%); risk-free interest rate of 0.66% (2014 1.3%) and expected volatility of 40.25% (2014 44.0%). The weighted average fair value of the share options granted in the year ended 31 December 2015 under this plan was £0.4350 (2014 £0.3575).

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns which may occur. The expected volatility reflects historical volatility adjusted for future trends, which may also not necessarily be the actual outcome. Both the historical and expected volatilities reflect the volatility of the share prices of Communis plc and comparator companies.

The Executive Share Option Scheme 2010

Certain directors and managers are eligible to participate in this scheme at the discretion of the Remuneration Committee. The exercise price of the options granted under this scheme is equal to the market value of the shares on the date of grant. No options were granted under this scheme in the year ended 31 December 2015 nor in the year ended 31 December 2014.

COMMUNISIS DATA INTELLIGENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015

19. SHARE-BASED PAYMENT TRANSACTIONS - continued

The Sharesave Scheme

All UK employees (including directors) are eligible to participate in the Communisis Sharesave Scheme. The exercise price of the options is usually equal to the market price of the shares at the date of invitation to participate less a maximum discount of 20%. The options vest on the third anniversary of the commencement of the savings period. Any options which have not been exercised within six months of the vesting date lapse.

There were no options granted under this scheme in the year ended 31 December 2015.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2015		2014	
	No	WAEP £	No	WAEP £
Exercised during the year	<u>-</u>	-	<u>-</u>	-
Outstanding at the end of the year	<u>21,912</u>		<u>109,560</u>	

COMMUNISIS DATA INTELLIGENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015

20. TRANSITION TO FRS 101

For all periods up to and including the year ended 31 December 2014, the Company prepared its Financial Statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These Financial Statements, for the year ended 31 December 2015, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual Financial Statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these Financial Statements, the Company has started from an opening Balance Sheet as at 1 January 2014, the Company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating its Balance Sheet as at 1 January 2014 prepared under previously extant UK GAAP and its previously published UK GAAP Financial Statements for the year ended 31 December 2014.

On transition to FRS 101, the Company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards".

Exemptions Applied

IFRS 1 allows first-time adopters certain exemptions from the general requirements to apply IFRSs as effective for December 2015 year ends retrospectively. The Company has taken advantage of the following exemptions:

- IFRS 2 Share based payment has not been applied to any equity instruments that were granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that vested before 1 January 2005. This treatment is consistent with the transitional provisions taken when the company adopted FRS 20, the UK equivalent standard.
- To use deemed cost for determining the cost (in accordance with paragraph 38(a) of IAS 27) of an investment in a subsidiary. The deemed cost of such an investment shall be its previous GAAP carrying amount at that date.
- To use deemed cost for determining the value of intangible assets and tangible assets at the date of transition to FRS 101. The deemed cost shall be its previous GAAP carrying amount at that date.

COMMUNISIS DATA INTELLIGENCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015**

20. TRANSITION TO FRS 101 - continued

Reconciliation of Equity as at 1 January 2014

		UK GAAP	FRS 101	
		£	Re-classifications/ Re-measurements	FRS 101
	Notes		£	£
FIXED ASSETS				
Intangible assets	1 & 2	268,958	540,521	809,479
Tangible assets	1	<u>551,225</u>	<u>(536,330)</u>	<u>14,895</u>
		820,183	4,191	824,374
CURRENT ASSETS				
Debtors		1,705,889	-	1,705,889
Cash at bank		<u>3,495,412</u>	<u>-</u>	<u>3,495,412</u>
		5,201,301	-	5,201,301
Creditors (amounts due within one year)		<u>(1,223,016)</u>	<u>-</u>	<u>(1,223,016)</u>
NET CURRENT ASSETS		<u>3,978,285</u>	<u>-</u>	<u>3,978,285</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,798,468	4,191	4,802,659
PROVISION FOR LIABILITIES				
Deferred taxation		<u>(15,000)</u>	<u>-</u>	<u>(15,000)</u>
NET ASSETS		<u>4,783,468</u>	<u>4,191</u>	<u>4,787,659</u>
CAPITAL AND RESERVES				
Called up equity share capital		231	-	231
Share premium account		562,324	-	562,324
Retained earnings	2	<u>4,220,913</u>	<u>4,191</u>	<u>4,225,104</u>
Equity shareholders' funds		<u>4,783,468</u>	<u>4,191</u>	<u>4,787,659</u>

COMMUNISIS DATA INTELLIGENCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015**

20. TRANSITION TO FRS 101 - continued

Reconciliation of Equity as at 31 December 2014

		UK GAAP	FRS 101 Re-classifications/ Re-measurements	FRS 101
	Notes	£	£	£
FIXED ASSETS				
Intangible assets	1 & 2	159,909	585,230	745,139
Tangible assets	1	501,400	(471,990)	29,410
		661,309	113,240	774,549
CURRENT ASSETS				
Debtors		1,327,668	-	1,327,668
Cash at bank		2,909,034	-	2,909,034
		4,236,702	-	4,236,702
Creditors (amounts due within one year)		(3,758,182)	-	(3,758,182)
NET CURRENT ASSETS		478,520	-	478,520
NET ASSETS		<u>1,139,829</u>	<u>113,240</u>	<u>1,253,069</u>
CAPITAL AND RESERVES				
Called up equity share capital		231	-	231
Share premium account		562,324	-	562,324
Retained earnings	2	577,274	113,240	690,514
Equity shareholders' funds		<u>1,139,829</u>	<u>113,240</u>	<u>1,253,069</u>

1. Software reallocation

Under previous UK GAAP software was classified as a tangible asset within "Tangible assets". Under FRS 101 software assets are to be classified as intangible assets.

2. Goodwill

Under previous UK GAAP goodwill was amortised over its useful life. On transition to FRS 101 goodwill is considered to have an indefinite life in accordance with IAS 38, and is tested annually for impairment in accordance with IAS 36. This has resulted in a reversal of the amortisation charge in 2014. A small adjustment has also been made to the 2013 figures which reflects the year to date correction that went through the 2014 signed statutory accounts.

COMMUNISIS DATA INTELLIGENCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2015**

20. TRANSITION TO FRS 101 - continued

3. Reconciliation of total comprehensive income

The effect of the remeasurement differences on the reported total comprehensive income of the Company for the year ended 31 December 2014 is as follows:

	£
Total comprehensive loss for the year ended 31 December 2014 under UK GAAP	(643,639)
Reversal of goodwill amortisation (note 2)	109,049
	<hr/>
Total comprehensive loss for the year ended 31 December 2014 under FRS 101	<u><u>534,590</u></u>