

Company Registration No. 08375791 (England and Wales)

**VCS (HOLDINGS UK) LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2015**

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# VCS (HOLDINGS UK) LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	C Baty M Harris M Kotzabasakis K E Lang
<b>Company number</b>	08375791
<b>Business address</b>	4 <sup>th</sup> Floor Central Square Forth Street Newcastle upon Tyne NE1 3JP
<b>Registered office</b>	4 <sup>th</sup> Floor Central Square Forth Street Newcastle upon Tyne NE1 3JP
<b>Auditors</b>	RSM UK Audit LLP Chartered Accountants 1 St James Gate Newcastle upon Tyne NE1 4AD
<b>Accountants</b>	RSM UK Tax & Accounting Limited Chartered Accountants 1 St James Gate Newcastle upon Tyne NE1 4AD

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# VCS (HOLDINGS UK) LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2015

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The directors present the strategic report and financial statements for the year ended 31 December 2015.

#### **Fair review of the business**

Viewpoint has continued to invest significantly in the global expansion of the two key products developed by Viewpoint Construction Software Ltd in the UK – namely 'Viewpoint for Projects' (VfP) and 'Field View' (FV). This policy has continued to yield results in 2015 and beyond with turnover growing by 48% from 2014 to 2015.

In particular the group invested significantly in research and development and growing our North American and Australian businesses to leverage our parent company's significant presence in those markets. Given the subscription nature of our revenue the return on this intercompany investment will be felt more keenly in future years and in 2015 resulted in a planned accounting loss easily covered by our ultimate parent company's strong balance sheet.

The business and assets of MCS Ltd (acquired 1 December 2014) were integrated into Viewpoint Construction Software Limited from 1 January 2015 and the integration of the Viewpoint for Projects and Field View (MCS acquisition) products have proved compelling in the market place.

#### **Monitoring and managing risk**

The key risks facing the group are as follows;

People	Inability to recruit and retain the best people may weaken the group's ability to meet its objectives. Recruitment and retention is measured and regularly reviewed across the group companies. The group regularly reviews its remuneration arrangements to ensure that these remain competitive in each market sector.
Market disruption	We are facing increased competition from new technology providers and new entrants to the market place. These risks could threaten our market share, future growth prospects or put pressure on our revenues. Our strategy has been to strengthen relationships with existing customers and monitor the competitor landscape while keeping abreast of rapidly advancing technologies.
Customer experience	If we do not continue to differentiate ourselves in the eyes of our customers there is a risk we will not achieve our ambitious growth targets. We continue to follow a clear strategy of delivering a quality product with after sales and support that sets us apart from the competition. Customer satisfaction is monitored and reported internally. Corrective action is taken where issues are identified.

#### **Future plans**

The plans of the group are to continue to grow in both the UK and overseas and use the investment in staff and resources to assist in achieving this.

By order of the board



C Baty  
Director  
28 September 2016

# VCS (HOLDINGS UK) LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2015

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The directors present their report and financial statements for the year ended 31 December 2015.

#### Principal activities

The principal activity of the company continued to be that of a holding company. The group's principal activity during the year continues to be that of software development and distribution.

#### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

B Ertischek	(resigned 3 November 2015)
C Baty	
A Baker	(resigned 4 March 2016)
J Paulson	(resigned 3 November 2015)
J Haladay	(resigned 3 November 2015)
M Harris	
M Kotzabasakis	(appointed 5 January 2016)
K E Lang	(appointed 5 January 2016)

#### Results and dividends

The loss for the year, after taxation, amounted to £7,362,901, after exceptional costs of £741,867. The directors have not recommended a dividend.

#### Financial risk management objectives and policies

The company and group finances its operations through a mixture of retained profits and where necessary intergroup and intercompany borrowings. The management objectives are to:

- Retain sufficient liquid funds to enable the company to meet its day to day obligations as they fall due whilst maximising returns on surplus funds.

#### Matters of strategic importance

Information is not shown within the Directors' Report as it is instead included within the Strategic Report on page 1 under S414c(11).

#### Research and development

The group undertakes research and development related to its key products and future opportunities.


#### Auditor

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) has indicated its willingness to be reappointed for another term and appropriate arrangements have been put in place for it to be deemed reappointed as auditor in the absence of an Annual General Meeting.

#### Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the group's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditor is aware of that information.

By order of the board



C Baty  
Director  
28 September 2016

# **VCS (HOLDINGS UK) LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

### **FOR THE YEAR ENDED 31 DECEMBER 2015**

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The directors are responsible for preparing the Directors' Report, the Strategic 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 group and the company and of the profit or loss of the group and the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VCS (HOLDINGS UK) LIMITED**

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We have audited the group and parent company financial statements (the "financial statements") on pages 5 to 30. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 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 more fully explained in the Directors' Responsibilities Statement set out on page 3, 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 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 (APB'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](http://www.frc.org.uk/auditscopeukprivate)

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2015, and of the group's 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.

### **Opinion on other matters prescribed by the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

*RSM UK Audit LLP*

Kevin Rooney (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP), Statutory Auditor  
Chartered Accountants  
1 St James Gate  
Newcastle upon Tyne  
NE1 4AD

30 September 2016

# VCS (HOLDINGS UK) LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £	2014 £
Turnover	3	11,587,478	7,930,018
Cost of sales		(499,051)	(196,688)
<b>Gross profit</b>		<b>11,088,427</b>	<b>7,733,330</b>
Administrative expenses		(12,414,681)	(10,385,344)
Foreign exchange movement		(2,048,984)	(840,834)
Exceptional items	4	(741,867)	-
Other operating income		202,366	84,679
<b>Operating loss</b>	4	<b>(3,914,739)</b>	<b>(3,408,169)</b>
Interest receivable and similar income		340	139
Interest payable and similar charges	8	(3,442,456)	(2,668,091)
<b>Loss on ordinary activities before taxation</b>		<b>(7,356,855)</b>	<b>(6,076,121)</b>
Taxation	9	(6,046)	9,969
<b>Loss for the financial year</b>		<b>(7,362,901)</b>	<b>(6,066,152)</b>
<b>Total comprehensive income for the year</b>		<b>(7,362,901)</b>	<b>(6,066,152)</b>

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

# VCS (HOLDINGS UK) LIMITED

Company Registration No. 08375791

## STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Notes	2015 £	Group 2014 £	2015 £	Company 2014 £
<b>Fixed assets</b>					
Goodwill	10	25,268,706	26,746,601	–	–
Other intangible assets	10	1,957,764	2,122,329	–	–
Total intangible assets		27,226,470	28,868,930	–	–
Tangible assets	11	452,706	560,006	–	–
Investments	12	–	–	8,149,027	8,388,289
		27,679,176	29,428,936	8,149,027	8,388,289
<b>Current assets</b>					
Stocks		1,800	–	–	–
Debtors	14	3,305,210	2,835,549	24,227,300	24,468,350
Cash at bank and in hand		799,305	983,232	711	–
		4,106,315	3,818,781	24,228,011	24,468,350
<b>Creditors: amounts falling due within one year</b>	15	(6,738,907)	(2,840,919)	–	(27,205)
Net current assets/(liabilities)		(2,632,592)	977,862	24,228,011	24,441,145
<b>Total assets less current liabilities</b>		25,046,584	30,406,798	32,377,038	32,829,434
<b>Creditors: Amounts falling due after more than one year</b>	16	(40,121,865)	(38,019,341)	(40,237,441)	(37,235,577)
Provisions for liabilities	20	(336,500)	(436,337)	–	–
<b>Net liabilities</b>		(15,411,781)	(8,048,880)	(7,860,403)	(4,406,143)
<b>Capital and reserves</b>					
Called up share capital	24	1	1	1	1
Profit and loss reserves		(15,411,782)	(8,048,881)	(7,860,404)	(4,406,144)
<b>Total equity</b>		(15,411,781)	(8,048,880)	(7,860,403)	(4,406,143)

The financial statements on pages 5 to 30 were approved by the board of directors and authorised for issue on 28 September 2016 and are signed on its behalf by:



C Baty  
Director  
28 September 2016

# VCS (HOLDINGS UK) LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

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	Share capital £	Profit and Loss reserves £	Total £
Balance at 1 January 2014	1	(1,982,729)	(1,982,728)
Loss for the year	—	(6,066,152)	(6,066,152)
Balance at 31 December 2014	<u>1</u>	<u>(8,048,881)</u>	<u>(8,048,880)</u>
Balance at 1 January 2015	1	(8,048,881)	(8,048,880)
Loss for the year	—	(7,362,901)	(7,362,901)
Balance at 31 December 2015	<u>1</u>	<u>(15,411,782)</u>	<u>(15,411,781)</u>

# VCS (HOLDINGS UK) LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £	2014 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	28	2,499,252	(45,625)
Interest paid		(20,512)	(20,730)
Income taxes refunded/(paid)		8,519	-
<b>Net cash from/(used in) operating activities</b>		<u>2,487,259</u>	<u>(66,355)</u>
<b>Investing activities</b>			
Purchase of intangible assets		(46,797)	(30,389)
Proceeds on disposal of intangibles		3,779	-
Purchase of tangible fixed assets		(168,650)	(94,704)
Proceeds on disposal of tangible fixed assets		-	28,132
Purchase of other investments		-	(5,355,870)
Interest received		340	139
<b>Net cash from/(used in) investing activities</b>		<u>(211,328)</u>	<u>(5,452,692)</u>
<b>Financing activities</b>			
Proceeds from borrowings		-	5,500,000
Repayment of borrowings		(2,311,110)	(431,312)
Payment of obligations under finance leases		(148,748)	(60,256)
<b>Net cash from/(used in) financing activities</b>		<u>(2,459,858)</u>	<u>5,008,432</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>(183,927)</u>	<u>(510,615)</u>
		<b>2015 £</b>	<b>2014 £</b>
<b>Cash and cash equivalents at beginning of year</b>		983,232	1,493,847
Effect of foreign exchange rate changes		-	-
<b>Cash and cash equivalents at end of year</b>		<u>799,305</u>	<u>983,232</u>
<b>Relating to:</b>			
Bank balances and short term deposits included in cash at bank and in hand		799,305	983,232
Overdrafts included in "creditors: amounts falling due within one year"		-	-
		<u>799,305</u>	<u>983,232</u>

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### 1. Accounting policies

##### Company information

VCS (Holdings) Limited ("the company") is a limited company domiciled and incorporated in England and Wales. The registered office is 4<sup>th</sup> Floor, Central Square, Forth Street, Newcastle upon Tyne, NE1 3PJ.

The group consists of VCS (Holdings) Limited and all of its subsidiaries.

The company's principal activity is that of a holding company. The group's principal activities are the development and distribution of software.

##### Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value.

The consolidated financial statements are presented in sterling which is the functional currency of the group. Monetary amounts in these financial statements are rounded to the nearest whole £1, except where otherwise indicated.

As permitted by s408 Companies Act 2006, the Company has not presented its own statement of comprehensive income. The Company's loss for the year and total comprehensive expenditure for the year were £4,861,769 (2014: £2,950,314) and £4,861,769 (2014: £2,950,314), respectively.

These financial statements are the first financial statements of VCS (Holdings) Limited prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements of VCS (Holdings) Limited for the year ended 31 December 2014 were prepared in accordance with previous UK GAAP.

In preparing these financial statements the directors have adopted early the version of FRS 102 issued in September 2015 along with The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 – SI 2015/980.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102. The directors have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

Comparative figures have been restated to reflect the adjustments made, except to the extent that the directors have taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'. Adjustments are recognised directly in retained earnings at the transition date.

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### 1 Accounting policies (continued)

##### Reduced disclosures

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company which are intending to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

Section 7 'Statement of Cash Flows' – Presentation of cash flow and related notes and disclosures.

##### Basis of consolidation

The consolidated financial statements incorporate those of VCS (Holdings) Limited and five of its seven subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 December 2015. The two subsidiaries excluded from these consolidated financial statements are identified in note 13 and in the directors opinion are not material to the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

The cost of a business combination is the fair value at the acquisition date, of the assets given, equity instruments issued and liabilities incurred or assumed, plus directly attributable costs.

The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

##### Going concern

The group's total liabilities exceed its total assets by £15,411,781. A significant proportion of the group's total liabilities relate to a loan from the ultimate parent undertaking, Viewpoint Inc.

The directors, having assessed the responses of the directors of Viewpoint Inc to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the VCS (Holdings UK) Limited group to continue as a going concern.

On the basis of their assessment of the group's financial position and of the enquiries made of the directors of Viewpoint Inc, the directors of VCS (Holdings UK) Limited have a reasonable expectation that the group will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

##### Turnover

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods and services to external customers in the ordinary nature of the business. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. Turnover is shown net of Value Added Tax.

Turnover is recognised in relation to separately identifiable components of a single transaction when necessary to reflect the substance of the arrangement and in relation to two or more linked transactions when necessary to understand the commercial effect. When invoices are raised in advance of service delivery, the element relating to future periods is credited to deferred income.

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### 1 Accounting policies (continued)

##### **Intangible fixed assets - goodwill**

Goodwill is capitalised and written off evenly over 20 years as, in the opinion of the directors, this represents the period over which the goodwill is expected to give rise to economic benefits.

##### **Intangible fixed assets – other than goodwill**

Intangible assets purchased other than in a business combination are recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Intangible assets arising on a business combination are recognised, except where the asset arises from legal or contractual rights, and there is no history or evidence of exchange transactions for the same or similar assets and estimating the asset's fair value would depend on immeasurable variables.

Intangible assets are initially recognised at cost (which for intangible assets acquired in a business combination is the fair value at acquisition date) and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows

Developed technology	Over 20 years on a straight line basis
Customer relationships	Over 20 years on a straight line basis
Computer software	Over 3 years on a straight line basis

##### **Tangible fixed assets**

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:

Leasehold property improvements	Over 10 years on a straight line basis
Fixtures and fittings	Over 3 years on a straight line basis
Computer equipment	Over 3 years on a straight line basis

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

##### **Fixed asset investments**

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

##### **Impairments of fixed assets**

At each reporting end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### 1 Accounting policies (continued)

##### **Cash and cash equivalents**

Cash and cash equivalents include cash in hand and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

##### **Financial instruments**

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial assets are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

##### **Basic financial assets**

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method, unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### 1 Accounting policies (continued)

##### **Basic financial liabilities**

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

##### **Derecognition of financial liabilities**

Financial liabilities are derecognised when, and only when, the group's obligations are discharged, cancelled, or they expire.

##### **Equity instruments**

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

##### **Taxation**

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income or expenses from subsidiaries that will be assessed to or allow for tax in a future period except where the Group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### 1 Accounting policies (continued)

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

##### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

##### **Government grants**

Government grants relating to turnover (such as training grants) are recognised as income over the periods when the related costs are incurred.

##### **Pension costs**

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year. The assets of the scheme are held separately from those of the company and in an independently administered fund.

##### **Foreign exchange**

Transactions in currencies other than the functional currency (foreign currencies) are initially recorded at the exchange rate prevailing on the date of transaction.

Monetary assets and liabilities in foreign currency are translated into sterling at the rates of exchange ruling at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains and losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

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

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

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

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#### 2. Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

##### **Goodwill and intangible fixed assets - impairment testing**

Given the materiality of the group's goodwill and intangible fixed asset balances the directors consider impairment testing in these areas to be a key focus. Impairment testing is inherently subjective. In line with the group's accounting policies, each period end, the directors assess whether there are any indications that the group's assets may be impaired. This includes goodwill and intangible fixed assets. In relation to these items the directors also consider the results of value in use calculations and the assumptions built into those calculations.

Judgements in relation to goodwill impairment relate primarily to the assumptions underlying the calculation of value in use of the business, the achievability of the long term business plan, the impact and outlook in the wider economy and the other modelling assumptions that underlie the valuation process.

##### **Goodwill and intangible fixed assets - amortisation**

The estimated useful lives of the group's goodwill and intangible fixed assets, along with amortisation methods, are reviewed at each year end. The useful lives are estimated based on the normal life expectations.

##### **Intercompany loan**

The company has a significant loan outstanding with its ultimate parent undertaking. Interest is charged on the outstanding balance at 9% per annum. The directors have considered whether this rate of interest represents a market rate. In making this assessment the directors have considered rates currently being offered, the availability of such finance and the likely risk premium a provider of finance would seek to obtain. In their judgement the directors consider 9% per annum to be a market rate of interest and therefore that the intercompany loan does not represent in fact a 'financing transaction'.

##### **Provisions for doubtful debts**

The group makes provisions for doubtful debts. Significant judgement is used to estimate doubtful debts. In estimating doubtful debts, historic and anticipated customer performances are considered. Changes in the economy or specific customer conditions may require adjustments to the provision of doubtful debts. As of 31 December 2015 provisions for doubtful debts amounted to £269,503 (2014: £159,146).

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

#### 3 Turnover

An analysis of the group's turnover is as follows:

	2015 £	2014 £
<b>Class of business</b>		
Recurring revenue	9,906,069	7,299,539
Professional services	1,681,409	630,479
	<u>11,587,478</u>	<u>7,930,018</u>

#### Other significant revenue

Government grants	202,366	84,679
Interest income	340	139
	<u>202,706</u>	<u>84,818</u>

#### Turnover analysed by geographical market

	2015 £	2014 £
United Kingdom	9,445,212	6,003,456
Overseas	2,142,266	1,926,562
	<u>11,587,478</u>	<u>7,930,018</u>

#### 4 Operating loss

Operating profit is stated after charging/(crediting):

	2015 £	2014 £
Exceptional item	741,867	—
Exchange losses	2,048,984	840,834
Government grants	(202,366)	(84,679)
Fees payable to the company's auditors for the audit of the group's and company's financial statements	8,390	12,600
Depreciation of owned tangible fixed assets	275,872	107,042
Depreciation of tangible fixed assets held under finance leases	115,601	106,257
Loss on disposal of tangible fixed assets	78	4,336
Amortisation of intangible assets	1,685,478	1,584,799
Cost of hosting recognised as an expense	499,051	196,688
Operating lease charges	200,058	200,058

Included in administrative expenses is an exceptional item of £741,867. The exceptional item relates to legal and other costs incurred during the year to settle a dispute.

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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5	Auditor's remuneration	2015 £	2014 £
	Fees payable to the company's auditor and its associates		
	For audit services:		
	Audit of the group's and company's financial statements	3,950	2,650
	Audit of the company's subsidiaries	9,900	9,950
		<u>13,850</u>	<u>12,600</u>
	For other services:		
	Tax advisory and compliance	3,250	3,150
	All other non-audit services	5,375	4,250
		<u>8,625</u>	<u>7,400</u>

### 6 Employees

The average monthly number of persons (including directors) employed by the group during the year was:

	2015 No	2014 No
Technical	34	25
Other	62	45
	<u>96</u>	<u>70</u>

Their aggregate remuneration comprised:

	2015 £	2014 £
Wages and salaries	4,775,252	3,494,427
Social security costs	497,603	370,566
Pension costs	116,316	54,643
	<u>5,389,171</u>	<u>3,919,636</u>

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

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	2015 £	2014 £
<b>7 Directors' remuneration</b>		
Remuneration for qualifying services	340,205	155,958
Company contributions to defined contribution pension schemes	7,235	4,196
	<u>347,440</u>	<u>160,154</u>

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 2 (2014 - 1).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2015 £	2014 £
Remuneration	247,953	155,958
Company contributions to defined contribution pension schemes	2,858	4,196
	<u>250,811</u>	<u>160,154</u>

	2015 £	2014 £
<b>8 Interest payable and similar charges</b>		
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on finance leases and hire purchase contracts	20,512	20,730
Interest on loans from group undertakings	3,421,944	2,647,361
	<u>3,442,456</u>	<u>2,668,091</u>

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

9	Taxation	2015 £	2014 £
	<b>Deferred tax</b>		
	Origination and reversal of timing differences	-	(18,689)
	Adjustment in respect of prior periods	29,011	-
	Other adjustments	(22,965)	8,720
	Total deferred tax	<u>6,046</u>	<u>(9,969)</u>
	Total tax charge	<u>6,046</u>	<u>(9,969)</u>

The charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:

	2015 £	2014 £
Loss before taxation	<u>7,356,855</u>	<u>6,076,121</u>
Expected tax charge based on a corporation tax rate of 20% (2015: 20%)	(1,471,371)	(1,215,224)
Tax effect of expenses that are not deductible in determining taxable profit	1,154,411	697,898
Capital allowances in excess of depreciation	-	(47,984)
Utilisation of tax losses	-	163,029
Amortisation not deductible for tax purposes	316,960	316,960
Deferred tax adjustments in respect of prior years	29,011	
Benefit of enhanced research and development expenditure		(58,032)
Other timing differences	(22,965)	133,384
Tax expense for the year	<u>6,046</u>	<u>(9,969)</u>

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

#### 10 Intangible assets

##### Group

	Other intangible assets £	Computer software £	Developed technology £	Customer relationships £	Positive goodwill £	Total £
<b>Cost</b>						
1 January 2015	3,779	177,012	1,877,187	260,897	29,526,219	31,845,094
Additions	-	46,797	-	-	-	46,797
Disposals	(3,779)	(79,376)	-	-	-	(83,155)
31 December 2015	-	144,433	1,877,187	260,897	29,526,219	31,808,736
<b>Amortisation</b>						
1 January 2015	-	89,642	93,859	13,045	2,779,618	2,976,164
Amortisation charged in the year	-	100,679	93,859	13,045	1,477,895	1,685,478
Disposals	-	(79,376)	-	-	-	(79,376)
31 December 2015	-	110,945	187,718	26,090	4,257,513	4,582,266
<b>Carrying amount</b>						
31 December 2015	-	33,488	1,689,469	234,807	25,268,706	27,226,470
31 December 2014	3,779	87,370	1,783,328	247,852	26,746,601	28,868,930

The amortisation charges shown above are charged to administration expenses.

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

#### 11 Tangible fixed assets

Group	Leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
<b>Cost or valuation</b>				
1 January 2015	336,910	116,757	522,966	976,633
Additions	10,044	31,724	126,882	168,650
Disposals	-	(2,135)	(196,526)	(198,661)
31 December 2015	346,954	146,346	453,322	946,622
<b>Depreciation</b>				
1 January 2015	34,478	21,523	360,626	416,627
Depreciation charged in the year	34,263	67,649	173,960	275,872
Eliminated in respect of disposals	-	(2,057)	(196,526)	(198,583)
31 December 2015	68,741	87,115	338,060	493,916
<b>Carrying amount</b>				
31 December 2015	278,213	59,231	115,262	452,706
31 December 2014	302,432	95,234	162,340	560,006

Included within the net book value of £452,706 is £231,201 (2014: £346,802) relating to assets held under hire purchase agreements.

The depreciation charged to the financial statements in the year in respect of such assets amounted to £115,601 (2014: £100,257).

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

12	Fixed asset investments	2015 £	2014 £
	<b>Company</b>		
	Investments in subsidiaries	8,149,027	8,388,289
	<b>Movements in fixed asset investments</b>		
			<b>Investments in Subsidiaries £</b>
	<b>Cost or valuation</b>		
	At 1 January 2015		8,388,289
	Currency revaluations		(239,262)
	At 31 December 2015		8,149,027
	<b>Carrying amount</b>		
	At 1 January 2015		8,388,289
	At 31 December 2015		8,149,027

During the year the assets and liabilities of Mobile Computing Services Limited were hived into VCS Limited.

### 13 Subsidiary undertakings

Details of the company's subsidiaries at 31 December 2015 are as follows:

<i>Name of undertaking</i>	<i>Class of shareholding</i>	<i>Proportion of nominal value held directly</i>	<i>Nature of business</i>
Riverside Topco Limited	Ordinary	100%	Holding company
Riverside Acquisition Limited	Ordinary	0%	Holding Company
4Projects Holdings Limited	Ordinary	0%	Holding Company
Viewpoint Construction Software Limited	Ordinary	0%	Software sales and distribution
4Retail Limited	Ordinary	0%	Software sales and distribution
4Projects Management Limited	Ordinary	0%	
Mobile Computing Systems Limited	Ordinary	100%	Software sales and distribution

4Projects Management Limited and Mobile Computing Systems Limited are excluded from the consolidated financial statements as the directors do not consider them to be material to the group.

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

#### 13 Subsidiary undertakings (continued)

All of the subsidiaries are wholly owned by the company either directly or indirectly.

The company's investments in Riverside Acquisitions Limited, 4Projects Holdings Limited, Viewpoint Construction Software Limited, 4Retail Limited and 4Projects Management and via its investment in Riverside Topco Limited which in turn owns 100% of the issued share capital of Riverside Acquisitions Limited which in turn owns 100% of the issued share capital of 4Projects Holdings Limited. 4Projects Holdings Limited owns 100% of the issues share capital of Viewpoint Construction Software Limited (formerly 4Projects Limited), 4Retail Limited and 4Projects Management Limited.

The subsidiary companies Riverside Topco Limited (CRN: 06318545), Riverside Acquisition Limited (CRN: 06318542) and 4Projects Holdings Limited (CRN: 05279498) have taken the exemption in Section 479A of the Companies Act 2006 ("the Act") from the requirements in the Act for their individual accounts to be audited.

On 1 January 2015 the assets and liabilities of Mobile Computing Systems Limited were acquired by Viewpoint Construction Software Limited (formerly 4Projects Limited). The assets and liabilities were acquired at their book value and satisfied by the creation of an inter company balance between the two companies.

#### 14 Debtors

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
<b>Amounts falling due within one year:</b>				
Trade debtors	2,042,985	1,979,511	-	-
Amount owed by group undertakings	233,786	-	24,046,036	24,254,162
Other debtors	76,862	103,126	-	-
Prepayments and accrued income	951,577	676,040	180,994	214,188
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Deferred tax asset	-	76,872	-	-
	<u>3,305,210</u>	<u>2,835,549</u>	<u>24,227,030</u>	<u>24,468,350</u>

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
<b>The debtors above include the following amounts due after more than one year:</b>				
Amounts owed by group undertakings	233,786	-	24,046,036	24,254,162
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

#### 15 Creditors: Amounts falling due within one year

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Obligations under finance leases	127,192	152,796	-	-
Corporation tax payable	56,388	18,858	-	-
Other taxation and social security	593,663	458,993	-	-
Trade creditors	157,807	189,209	-	-
Amounts due to group undertakings	4,194,691	1,166,486	-	-
Other creditors	97,082	19,213	-	-
Accruals and deferred income	1,512,084	835,364	-	27,205
	<u>6,738,907</u>	<u>2,840,919</u>	<u>-</u>	<u>27,205</u>

Obligations under finance leases are secured on the assets to which they relate.

#### 16 Creditors: Amounts falling due after more than one year

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Obligations under finance leases	19,444	142,588	-	-
Amount due to parent undertaking	40,102,421	37,876,753	40,127,441	37,235,577
	<u>40,121,865</u>	<u>38,019,341</u>	<u>40,127,441</u>	<u>37,235,577</u>

Obligations under finance leases are secured on the assets to which they relate.

#### 17 Finance lease commitments

Future minimum lease payments due under finance leases:

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Less than one year	127,192	152,796	-	-
Between one and five years	19,444	142,588	-	-
Total	<u>146,636</u>	<u>295,384</u>	<u>-</u>	<u>-</u>

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

#### 18 Financial instruments

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
<b>Carrying amount of financial assets</b>				
Debt instruments measured at amortised cost	2,353,633	2,082,637	24,046,036	24,254,162
<b>Carrying amount of financial liabilities</b>				
Measured at amortised cost	46,860,772	40,860,260	40,127,441	37,262,782

19	<b>Borrowings</b>	2015 £	2014 £
	Loan from parent undertaking	40,127,441	37,235,577
	Payable within one year	-	-
	Payable after one year	40,127,441	37,235,577
	Amounts included above which fall due after five years:		
	Payable by instalments	40,127,441	37,235,577

The loan from the parent company has no fixed terms of repayment. No demand for full repayment within one year will be made. Interest is charged through the intercompany account to the profit and loss account at a rate of 9%

#### 20 Provisions for liabilities

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Deferred tax liabilities	336,500	436,337	-	-

#### 21 Deferred taxation

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Deferred tax liabilities	413,372	-	-	-
Deferred tax assets	(76,872)	(76,872)	-	-
Net position at 31 December 2015	336,500	(76,872)	-	-

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

#### 21 Deferred taxation (continued)

The major deferred tax liabilities and assets recognised are:

Deferred tax liabilities:	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Business combination	28,518	30,102	-	-
Intangible fixed assets	384,854	406,235	-	-
Other timing differences	(76,872)	(76,872)	-	-
Total	<u>336,500</u>	<u>359,465</u>	<u>-</u>	<u>-</u>

#### 22 Government grants

The Group received grants in respect of the RGF Let's Grow Fund and Innovate UK and on the basis that all requirements for recognition have been achieved, the revenue grant has been recognised in full as received.

#### 23 Retirement benefits schemes

##### Defined contribution schemes

The group operates a defined contribution pension scheme for all qualifying employees in the United Kingdom. The assets of the scheme are held separately from those of the group in an independently administered fund. The contributions payable by the group charged to profit or loss amounted to £116,316 (2015: £58,839).

#### 24 Share capital

	Ordinary shares of £1 each Number
Allotted, issued and fully paid: 1 January 2015	1
31 December 2015	<u>1</u>

#### 25 Operating lease commitments

##### Lessee:

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2015 £	2014 £
After five years	122,292	122,292
	<u>122,292</u>	<u>122,292</u>

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

#### 26 Related party transactions

##### Remuneration of key management personnel

The remuneration of key management personnel, who are also directors, is as follows:

	2015 £	2014 £
Aggregate compensation	392,160	160,154

The company has taken advantage of the exemption in FRS 102 from disclosing transactions entered into between two or more members of a group when that involves 100% owned subsidiaries.

At 31 December 2015, the company's immediate and ultimate parent undertaking was Viewpoint Inc, a company registered in the United States of America. VCS (Holdings UK) Limited is the largest and smallest group for which consolidated financial statements are drawn up including VCS (Holdings UK) Limited. The consolidated financial statements of VCS (Holdings UK) Limited are available from it's registered office which is: 4<sup>th</sup> Floor, Central Square, Forth Street, Newcastle upon Tyne, NE1 3PJ.

##### Transactions with related parties

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2015 £	2014 £
Entities with control, joint control or significant influence over the company	44,297,112	39,043,239

#### 27 Controlling party

In the opinion of the directors there is no ultimate controlling party because no one individual has control of more than 50% of the share capital of Viewpoint Inc.

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

#### 28 Cash generated from operations

	Group	
	2015 £	2014 £
Loss for the year	(7,362,901)	(6,066,152)
<b>Adjustments for:</b>		
Income tax expense recognised in profit or loss	6,046	(9,969)
Finance costs recognised in profit or loss	20,512	20,730
Investment income recognised in profit or loss	(340)	(139)
Loss on disposal of tangible fixed assets	78	4,336
Amortisation of intangible assets	1,685,478	1,623,720
Depreciation of tangible fixed assets	275,872	168,379
<b>Operating cash flows before movements in working capital</b>	<b>(5,375,255)</b>	<b>(4,259,095)</b>
Increase in stock	(1,800)	-
Increase in trade and other debtors	(546,533)	(774,311)
Increase in trade and other creditors	8,422,840	4,987,781
<b>Cash (used in)/generated from operations</b>	<b>2,499,252</b>	<b>(45,625)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents represent:		
Cash at bank and in hand	799,305	983,232

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015

#### 30 Reconciliations on adoption of FRS 102

Reconciliations and descriptions of the effect of the transition to FRS 102 on;

- (i) the consolidated equity at the date of transition to FRS 102;
- (ii) the consolidated equity at the end of the comparative period;
- (iii) the consolidated profit or loss for the comparative period reported under previous UK GAAP.

are given below.

RECONCILIATIONS OF CONSOLIDATED EQUITY	Notes	31 December 2014 £	1 January 2014 £
<b>Consolidated equity as previously reported under previous UK GAAP</b>		(8,017,195)	(1,982,728)
Goodwill	A	(1,626,528)	-
Other intangible assets	A	2,041,967	76,583
Tangible fixed assets	B	(10,787)	(76,583)
Adjustments to deferred tax	A	(436,337)	-
<b>Consolidated equity reported under FRS 102</b>		<b>(8,048,880)</b>	<b>(1,982,728)</b>
RECONCILIATIONS OF CONSOLIDATED PROFIT OR LOSS	Notes		2014 £
<b>Consolidated loss as previously reported under previous UK GAAP</b>			(6,034,467)
Amortisation of separable intangible assets arising on business combinations post 1 January 2014	A		(106,904)
Adjustment to amortisation of goodwill	A		83,939
Deferred tax on fair value adjustments arising on business combinations	A		(31,685)
Adjustments to deferred tax	A		22,965
<b>Consolidated loss reported under FRS 102</b>			<b>6,066,152</b>

#### A – Business combinations

FRS 102 requires the recognition of separable intangible assets identified as part of a business combination. These intangible fixed assets are recognised on consolidation and amortised over their useful economic lives. Deferred tax is provided where the amount that can be deducted for tax is less than the amount at which the asset is recognised.

In addition deferred tax is required to be provided on any fair value uplifts in calculating goodwill.

#### B – Intangible fixed assets

Under FRS 102 computer software is classified as an intangible fixed asset.

# **VCS (HOLDINGS UK) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2015**

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#### **30 Reconciliations on adoption of FRS 102 (continued)**

Under FRS 102, the Consolidated Statement of Cash Flows presents changes in cash and cash equivalents (which include cash in hand, deposits repayable on demand and overdrafts and short-term, highly liquid investments), showing changes arising from operating activities, investing activities and financing activities separately. Under previous UK GAAP, the Consolidated Cash Flow Statement presented changes in cash (which includes cash in hand, deposits repayable on demand and overdrafts) under the headings of operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, equity dividends paid, management of liquid resources, and financing.