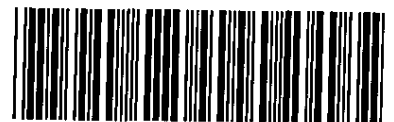


Company Registration No. 08375791 (England and Wales)

**VCS (HOLDINGS UK) LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2016**

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# VCS (HOLDINGS UK) LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	M Kotzabasakis K Lang
<b>Company number</b>	08375791
<b>Registered office</b>	4th Floor Central Square Forth Street Newcastle upon Tyne NE1 3PJ
<b>Auditor</b>	RSM UK Audit LLP 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 2016

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The directors present the strategic report for the year ended 31 December 2016.

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

VCS (HOLDINGS UK) LIMITED represents 12% of Viewpoint Software Group globally and works closely with its parent company and fellow subsidiaries in order to maintain and develop market share in the main markets the Group operate in.

During 2016 VCS (HOLDINGS UK) LIMITED saw an increase in sales of 30% to £15,096,938 in comparison to £11,587,478 in 2015 due to an increase in demand in the markets where the company operates. Gross margins in this period increased 1.2% to 96.9% compared to 95.7% in 2015, despite additional pressures on costs following the weakening of sterling since the EU Referendum results.

During quarter 4 VCS (HOLDINGS UK) LIMITED saw a growth in sales of 16% compared to quarter 1. There has also been an increase in orders received during the early part of 2017 leading to the directors of the company being confident that sales in 2017 will increase on 2016 levels.

VCS (HOLDINGS UK) LIMITED continues to investigate business development opportunities in several market sectors for future growth and has seen this development continue during 2016, with continued success in new growing markets and involvement in activities for future revenues. These customers are projected to provide growth in future years and represent development of new markets both in terms of geographical area and customer base, some of this has already been seen during 2016.

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

The directors have identified the key risks and uncertainties which are a threat to the business and wherever possible have taken steps to address this.

Exchange rate fluctuations and the weakening of sterling are a risk to profitability levels due to exchange risk on payments.

VCS (HOLDINGS UK) LIMITED is focused on a small number of key clients which Viewpoint Software Group supply globally. The directors are aware of the potential risks this could bring however they are confident the associated risks are low as a result of strong working relationships with the customer base including regular contact and reviews on performance, areas of improvement and trading levels. Long term agreements are in place and the company has a long history of working with these established companies in order to maintain future relationships. VCS (HOLDINGS UK) LIMITED customer base grew 16% in 2016 to 207 from 178 in December 2015. The amount of new users also increased 67% on 2015 number of users also increased helping to dilute reliance while maintaining existing trading levels thus increasing overall performance of the company in the long term.

# VCS (HOLDINGS UK) LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

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#### **Key performance indicators**

VCS (HOLDINGS UK) LIMITED and group continue to monitor market activity and VCS (HOLDINGS UK) LIMITED key performance indicators (KPI's) such as: -

#### *Order intake*

Order intake for 2016 was £10.2m an increase of 6% and the second half of 2016 was £5.8m which was an increase of 35% of the first half of 2016 (£4.3m). This gives the directors a good indication of the market changes and the medium term outlook for the business.

#### *Order outstanding*

VCS (HOLDINGS UK) LIMITED is given 12-month vision of forecast demand from key customers . At 31 December 2016, the company had orders outstanding of £10.1m an increase of 24% in comparison to end of June 2016.

#### *Aged debtors*

The company monitors aged debtor levels and has good credit control processes in place. This assists in efficient working capital management and has resulted in a reduction in debtors' days from 63 days at December 2015 to 42 days at December 2016. The resulting debtors' days are in line with expected payment terms.

The outlook for 2017 remains reliant on global economic conditions in line with VCS (HOLDINGS UK) LIMITED current customer base however based on current indicators VCS (HOLDINGS UK) LIMITED remain optimistic that we can continue to win new customers in different market sectors whilst seeing a return to growth in its core business sector.

VCS (HOLDINGS UK) LIMITED will continually monitor forward ordering in view of the current economic conditions and is well placed to be able to react to volume changes (both positive and negative) in order to maintain net profit percentages.

The strategy of the company is to continue with focus on key clients of Viewpoint Software Group selling into its core market and increasing market share through providing a value added service to customers. VCS (HOLDINGS UK) LIMITED invests and targets new customers through our quality, costs, delivery and flexibility. We will continue to invest in training for our personnel.

# VCS (HOLDINGS UK) LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

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### Development and performance

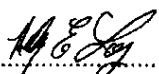
2016 has seen further development and support of fellow subsidiaries along with partners where we continue to develop and maintain products. This activity has helped to ensure the company manages risk across multiple sites to ensure business continuity can be maintained should the need arise due to political or other situations.

Overall human resource levels have remained steady in comparison to 2015. The company continues to invest in the learning and development of its employees and has implemented many new initiatives to engage and retain key employees, in terms of training and continuous improvement. In addition, the company identifies potential future skills gaps and carries out succession planning in order to ensure the company can meet the needs of both current and future customer requirements.

Stability has also been achieved in terms of overheads and direct costs as a result of continuous improvement activities, improvement in processes and development of measures to focus attention.

While customer pressure will always be cost down Viewpoint will continue to invest in continuous improvement activities which will enable the company to maintain and further improve profitability.

On behalf of the board



K Lang

Director

28.9.17

# VCS (HOLDINGS UK) LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2016

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

#### **Principal activities**

The principal activity of the company continued to be that of a holding company. The group's principal activity 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:

C Baty	(Resigned 6 January 2017)
M Kotzabasakis	(Appointed 5 January 2016)
M Harris	(Resigned 7 February 2017)
K Lang	(Appointed 5 January 2016)
Alun Baker	(Resigned 15 February 2016)

#### **Results and dividends**

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

#### **Financial instruments**

##### ***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 have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors 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 company'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 company's auditor is aware of that information.


# VCS (HOLDINGS UK) LIMITED

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

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On behalf of the board



K Lang

Director

28.9.17

## **VCS (HOLDINGS UK) LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 company, and of the profit or loss of the group 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 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 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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## Opinion on financial statements

We have audited the group and parent company financial statements (the "financial statements") on pages 8 to 32. 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".

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 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.

## 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 <http://www.frc.org.uk/auditscopeukprivate>

## 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 and, based on the work undertaken in the course of our audit, the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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 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.

## Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 6, 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 (APB's) Ethical Standards for Auditors.

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.



Steven Cleugh FCCA (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

1 St James' Gate

Newcastle upon Tyne

NE1 4AD

29/9/17

# VCS (HOLDINGS UK) LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
<b>Turnover</b>	<b>3</b>	15,096,938	11,587,478
Cost of sales		(463,185)	(499,051)
<b>Gross profit</b>		14,633,753	11,088,427
Administrative expenses		(16,084,815)	(15,205,532)
Other operating income		227,758	202,366
<b>Operating loss</b>	<b>6</b>	(1,223,304)	(3,914,739)
Interest receivable and similar income	<b>8</b>	1,036	340
Interest payable and similar expenses	<b>9</b>	(3,900,590)	(3,442,456)
Other gains and losses		(1,637)	-
<b>Loss before taxation</b>		(5,124,495)	(7,356,855)
Taxation	<b>10</b>	(98,128)	(6,046)
<b>Loss for the financial year</b>	<b>25</b>	(5,222,623)	(7,362,901)

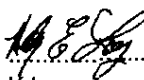
Loss for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

**VCS (HOLDINGS UK) LIMITED****CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2016**

	Notes	2016 £	£	2015 £	£
<b>Fixed assets</b>					
Goodwill	11	23,792,395		25,268,706	
Other intangible assets	11	1,822,326		1,957,764	
Total intangible assets		25,614,721		27,226,470	
Tangible assets	12	356,540		452,706	
		25,971,261		27,679,176	
<b>Current assets</b>					
Stocks	15	-		1,800	
Debtors	16	10,811,296		3,305,210	
Cash at bank and in hand		688,970		799,305	
		11,500,266		4,106,315	
<b>Creditors: amounts falling due within one year</b>	17	(8,976,628)		(6,738,907)	
<b>Net current assets/(liabilities)</b>		2,523,638		(2,632,592)	
<b>Total assets less current liabilities</b>		28,494,899		25,046,584	
<b>Creditors: amounts falling due after more than one year</b>	18	(48,715,931)		(40,121,865)	
<b>Provisions for liabilities</b>	22	(413,372)		(336,500)	
<b>Net liabilities</b>		(20,634,404)		(15,411,781)	
<b>Capital and reserves</b>					
Called up share capital	24	1		1	
Profit and loss reserves	25	(20,634,405)		(15,411,782)	
<b>Total equity</b>		(20,634,404)		(15,411,781)	

The financial statements were approved by the board of directors and authorised for issue on 28.9.17  
and are signed on its behalf by:

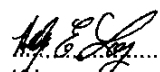
  
K Lang  
Director

**VCS (HOLDINGS UK) LIMITED****COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2016**

	Notes	2016 £	£	2015 £	£
<b>Fixed assets</b>					
Investments	13		8,149,027		8,149,027
<b>Current assets</b>					
Debtors	16	27,220,932		24,227,300	
Cash at bank and in hand		-		711	
		<u>27,220,932</u>		<u>24,228,011</u>	
<b>Net current assets</b>			<u>27,220,932</u>		<u>24,228,011</u>
<b>Total assets less current liabilities</b>			<u>35,369,959</u>		<u>32,377,038</u>
<b>Creditors: amounts falling due after more than one year</b>	18		(48,715,931)		(40,237,441)
<b>Net liabilities</b>			<u>(13,345,972)</u>		<u>(7,860,403)</u>
<b>Capital and reserves</b>					
Called up share capital	24		1		1
Profit and loss reserves	25		(13,345,973)		(7,860,404)
<b>Total equity</b>			<u>(13,345,972)</u>		<u>(7,860,403)</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's loss for the year was £5,485,569 (2015 - £3,454,260 loss).

The financial statements were approved by the board of directors and authorised for issue on 28.9.17 and are signed on its behalf by:

  
K Lang  
Director

# VCS (HOLDINGS UK) LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital	Profit and loss reserves	Total
	£	£	£
<b>Balance at 1 January 2015</b>	1	(8,048,881)	(8,048,880)
<b>Year ended 31 December 2015:</b>			
Loss and total comprehensive income for the year	-	(7,362,901)	(7,362,901)
<b>Balance at 31 December 2015</b>	1	(15,411,782)	(15,411,781)
<b>Year ended 31 December 2016:</b>			
Loss and total comprehensive income for the year	-	(5,222,623)	(5,222,623)
<b>Balance at 31 December 2016</b>	1	(20,634,405)	(20,634,404)

## VCS (HOLDINGS UK) LIMITED

### COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital	Profit and loss reserves	Total
	£	£	£
<b>Balance at 1 January 2015</b>	1	(4,406,144)	(4,406,143)
<b>Year ended 31 December 2015:</b>			
Loss and total comprehensive income for the year	-	(3,454,260)	(3,454,260)
<b>Balance at 31 December 2015</b>	1	(7,860,404)	(7,860,403)
<b>Year ended 31 December 2016:</b>			
Loss and total comprehensive income for the year	-	(5,485,569)	(5,485,569)
<b>Balance at 31 December 2016</b>	1	(13,345,973)	(13,345,972)

# VCS (HOLDINGS UK) LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	£	2015 £	£
<b>Cash flows from operating activities</b>					
Cash (absorbed by)/generated from operations	26		(4,567,911)		5,921,196
Interest paid			(3,900,590)		(3,442,456)
Income taxes (paid)/refunded			(48,724)		8,519
<b>Net cash (outflow)/inflow from operating activities</b>			<b>(8,517,225)</b>		<b>2,487,259</b>
<b>Investing activities</b>					
Purchase of intangible assets		(791)		(46,797)	
Proceeds on disposal of intangibles		-		3,779	
Purchase of tangible fixed assets		(82,000)		(168,650)	
Proceeds on disposal of tangible fixed assets		3,964		-	
Proceeds from other investments and loans		(1,637)		-	
Interest received		1,036		340	
<b>Net cash used in investing activities</b>			<b>(79,428)</b>		<b>(211,328)</b>
<b>Financing activities</b>					
Repayment of borrowings		8,613,510		(2,311,110)	
Payment of finance leases obligations		(127,192)		(148,748)	
<b>Net cash generated from/(used in) financing activities</b>			<b>8,486,318</b>		<b>(2,459,858)</b>
<b>Net decrease in cash and cash equivalents</b>			<b>(110,335)</b>		<b>(183,927)</b>
Cash and cash equivalents at beginning of year			799,305		983,232
<b>Cash and cash equivalents at end of year</b>			<b>688,970</b>		<b>799,305</b>

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 1 Accounting policies

#### Company information

VCS (Holdings UK) Limited ("the company") is a private company limited by shares, and is registered, domiciled and incorporated in England and Wales. The registered office is 4th Floor, Central Square, Forth Street, Newcastle upon-Tyne, NE1 3JP.

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

The company's and the group's principal activities and nature of its operations are disclosed in the Directors' Report.

#### 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.*

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

*The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.*

#### Basis of consolidation

The consolidated financial statements incorporate those of VCS (Holdings UK) Limited and all of its 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. One subsidiary has been excluded from these consolidated financial statements, identified in note 13, as in the directors opinion this company is not material to the group.

All financial statements are made up to 31 December 2016. 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.

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.

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 costs directly attributable to the business combination. 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.



# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

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### 1 Accounting policies (Continued)

#### **Going concern**

The group's total liabilities exceed its total assets by £20,634,404. 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 represents total invoice value, excluding value added tax, of sales of software as a service made during the year. Turnover is recognised on a monthly basis as the service is provided.

#### **Deferred income**

When invoices are raised in advance of service delivery, the element relating to future periods is credited to deferred income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

#### **Research and development**

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

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

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 20 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

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

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 1 Accounting policies (Continued)

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

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

#### **Tangible fixed assets**

Tangible fixed assets are initially measured at cost net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

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

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### **Fixed asset investments**

In the separate accounts of the company, interests in subsidiaries, associates and jointly controlled entities 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 group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

#### **Impairment of fixed assets**

At each reporting period 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 company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher 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 for which the estimates of future cash flows have not been adjusted.

#### **Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

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### 1 Accounting policies (Continued)

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

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, 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 instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and 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 debtors 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 group 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 group after deducting all of its liabilities.

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

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### 1 Accounting policies (Continued)

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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

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

#### **Equity instruments**

Equity instruments issued by the group are recorded at the fair value of 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 to 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 the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

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### 1 Accounting policies (Continued)

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 and expenses from subsidiaries, associates, branches and interests in jointly controlled entities, 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.

#### **Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### **Retirement benefits**

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

#### **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.

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 are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

# **VCS (HOLDINGS UK) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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### **1 Accounting policies (Continued)**

#### **Foreign exchange**

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

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting 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 or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

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### 2 Judgements and key sources of estimation uncertainty

In the application of the group'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.

#### **Critical judgements**

##### ***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'.

##### ***Provision 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 2016 provisions for doubtful debts amounted to £219,878 (2015: £269,503).

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

#### 3 Turnover and other revenue

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

	2016 £	2015 £
<b>Turnover analysed by class of business</b>		
Recurring revenue	13,396,277	9,906,069
Professional services	1,700,661	1,681,409
	<u>15,096,938</u>	<u>11,587,478</u>
<b>Other revenue</b>		
Interest income	1,036	340
Grants received	227,758	202,366
	<u>228,794</u>	<u>202,706</u>
<b>Turnover analysed by geographical market</b>		
	2016 £	2015 £
United Kingdom	11,567,156	9,445,212
Overseas	3,529,782	2,142,266
	<u>15,096,938</u>	<u>11,587,478</u>

#### 4 Employees

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

	Group 2016 Number	2015 Number	Company 2016 Number	2015 Number
Technical	36	34	-	-
Other	68	62	-	-
	<u>104</u>	<u>96</u>	<u>-</u>	<u>-</u>

Their aggregate remuneration comprised:

	Group 2016 £	2015 £	Company 2016 £	2015 £
Wages and salaries	5,709,608	4,810,835	-	-
Social security costs	588,939	497,603	-	-
Pension costs	122,144	116,316	-	-
	<u>6,420,691</u>	<u>5,424,754</u>	<u>-</u>	<u>-</u>



# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

### 5 Directors' remuneration

	2016 £	2015 £
Remuneration for qualifying services	90,871	92,252
Company pension contributions to defined contribution schemes	4,527	4,377
	<u>95,398</u>	<u>96,629</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amount to 1 (2015 - 1).

### 6 Operating loss

	2016 £	2015 £
Operating loss for the year is stated after charging/(crediting):		
Exchange losses	3,304,539	641,475
Government grants	(227,758)	(202,366)
Depreciation of owned tangible fixed assets	174,202	275,872
(Profit)/loss on disposal of tangible fixed assets	-	94
Amortisation of intangible assets	1,612,540	1,685,478
Cost of stocks recognised as an expense	463,185	499,051
Operating lease charges	-	14
	<u></u>	<u></u>

### 7 Auditor's remuneration

	2016 £	2015 £
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the company and the company's subsidiaries	<u>12,113</u>	<u>8,390</u>

### 8 Interest receivable and similar income

	2016 £	2015 £
<b>Interest income</b>		
Interest on bank deposits	<u>1,036</u>	<u>340</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>1,036</u>	<u>340</u>
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# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

### 9 Interest payable and similar expenses

	2016 £	2015 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest payable to group undertakings	629,897	648,082
Other interest on financial liabilities	3,253,630	2,773,862
	<u>3,883,527</u>	<u>3,421,944</u>
<b>Other finance costs:</b>		
Interest on finance leases and hire purchase contracts	17,063	20,512
Total finance costs	<u>3,900,590</u>	<u>3,442,456</u>

### 10 Taxation

	2016 £	2015 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	98,128	-
Adjustments in respect of prior periods	-	29,011
Total current tax	<u>98,128</u>	<u>29,011</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	(22,965)
Total tax charge	<u>98,128</u>	<u>6,046</u>

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

### 10 Taxation (Continued)

The total tax charge for the year included in the income statement can be reconciled to the loss before tax multiplied by the standard rate of tax as follows:

	2016 £	2015 £
Loss before taxation	(5,124,495)	(7,356,855)
Expected tax credit based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.00%)	(1,024,899)	(1,471,371)
Tax effect of expenses that are not deductible in determining taxable profit	140,625	1,154,411
Tax effect of utilisation of tax losses not previously recognised	(152,217)	-
Adjustments in respect of prior years	3,422	29,011
Group relief	(190,191)	-
Permanent capital allowances in excess of depreciation	5,443	-
Amortisation on assets not qualifying for tax allowances	-	316,960
Research and development tax credit	(81,949)	-
	1,397,894	(22,965)
Taxation charge for the year	98,128	6,046

### 11 Intangible fixed assets

Group	Goodwill £	Computer software £	Customer relationships £	Developed technology £	Total £
<b>Cost</b>					
At 1 January 2016	29,526,219	144,433	1,877,187	260,897	31,808,736
Additions - separately acquired	-	791	-	-	791
At 31 December 2016	29,526,219	145,224	1,877,187	260,897	31,809,527
<b>Amortisation and impairment</b>					
At 1 January 2016	4,257,513	110,945	187,718	26,090	4,582,266
Amortisation charged for the year	1,476,311	29,325	93,859	13,045	1,612,540
At 31 December 2016	5,733,824	140,270	281,577	39,135	6,194,806
<b>Carrying amount</b>					
At 31 December 2016	23,792,395	4,954	1,595,610	221,762	25,614,721
At 31 December 2015	25,268,706	-	1,957,764	-	27,226,470

The company had no intangible fixed assets at 31 December 2016 or 31 December 2015.

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

#### 12 Tangible fixed assets

Group	Leasehold property improvements	Computer equipment	Fixtures and fittings	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2016	346,954	453,322	146,346	946,622
Additions	13,086	59,774	9,140	82,000
Disposals	-	(74,482)	(4,732)	(79,214)
At 31 December 2016	360,040	438,614	150,754	949,408
<b>Depreciation and impairment</b>				
At 1 January 2016	68,741	338,061	87,114	493,916
Depreciation charged in the year	36,671	89,892	47,639	174,202
Eliminated in respect of disposals	-	(72,185)	(3,065)	(75,250)
At 31 December 2016	105,412	355,768	131,688	592,868
<b>Carrying amount</b>				
At 31 December 2016	254,628	82,846	19,066	356,540
At 31 December 2015	278,213	115,262	59,231	452,706

The company had no tangible fixed assets at 31 December 2016 or 31 December 2015.

#### 13 Fixed asset investments

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Investments in subsidiaries	14	-	-	8,149,027	8,149,027

#### Movements in fixed asset investments Company

	Shares in group undertakings £
<b>Cost or valuation</b>	
At 1 January 2016 and 31 December 2016	8,149,027
<b>Carrying amount</b>	
At 31 December 2016	8,149,027
At 31 December 2015	8,149,027

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

### 14 Subsidiaries

Details of the company's subsidiaries at 31 December 2016 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Riverside Acquisitions Limited	United Kingdom	Holding company	Ordinary	100.00	-
Viewpoint Construction Software Limited	United Kingdom	Software sales and distribution	Ordinary	-	100.00
4Projects Inc	United States of America	Software sales and distribution	Ordinary	-	100.00

During the year the group's shareholdings in 4Retail Limited, Riverside Topco. Limited, 4Projects Holdings Limited, 4Projects Management Limited and Mobile Computing Systems Limited were disposed of by way of voluntary liquidation.

### 15 Stocks

	Group 2016 £	2015 £	Company 2016 £	2015 £
Finished goods	-	1,800	-	-

### 16 Debtors

	Group 2016 £	2015 £	Company 2016 £	2015 £
<b>Amounts falling due within one year:</b>				
Trade debtors	1,291,572	2,042,985	-	-
Amounts owed by group undertakings	8,238,271	233,786	27,056,371	24,046,306
Other debtors	16,700	76,862	-	-
Prepayments and accrued income	1,123,533	951,577	164,561	180,994
	<u>10,670,076</u>	<u>3,305,210</u>	<u>27,220,932</u>	<u>24,227,306</u>

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

### 17 Creditors: amounts falling due within one year

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Obligations under finance leases	20	19,444	127,192	-	-
Trade creditors		79,748	157,807	-	-
Amounts due to group undertakings		6,664,434	4,194,691	-	-
Corporation tax payable		170,140	56,388	-	-
Other taxation and social security		629,842	593,663	-	-
Other creditors		22,133	97,082	-	-
Accruals and deferred income		1,390,887	1,512,084	-	-
		<u>8,976,628</u>	<u>6,738,907</u>	<u>-</u>	<u>-</u>

### 18 Creditors: amounts falling due after more than one year

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Obligations under finance leases	20	-	19,444	-	-
Other borrowings	19	48,715,931	40,102,421	48,715,931	40,237,441
		<u>48,715,931</u>	<u>40,121,865</u>	<u>48,715,931</u>	<u>40,237,441</u>

### 19 Borrowings

	Group 2016 £	2015 £	Company 2016 £	2015 £
Loans from group undertakings	<u>48,715,931</u>	<u>40,102,421</u>	<u>48,715,931</u>	<u>40,237,441</u>
Payable after one year	<u>48,715,931</u>	<u>40,102,421</u>	<u>48,715,931</u>	<u>40,237,441</u>

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%.

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

#### 20 Finance lease obligations

	Group 2016 £	2015 £	Company 2016 £	2015 £
Future minimum lease payments due under finance leases:				
Less than one year	19,444	127,192	-	-
Between one and five years	-	19,444	-	-
	<u>19,444</u>	<u>146,636</u>	<u>-</u>	<u>-</u>

#### 21 Financial instruments

	Group 2016 £	2015 £	Company 2016 £	2015 £
<b>Carrying amount of financial assets</b>				
Debt instruments measured at amortised cost	<u>9,546,543</u>	<u>2,353,633</u>	<u>27,056,371</u>	<u>24,046,306</u>
<b>Carrying amount of financial liabilities</b>				
Measured at amortised cost	<u>8,157,202</u>	<u>5,961,664</u>	<u>-</u>	<u>-</u>

#### 22 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Group	Liabilities 2016 £	Liabilities 2015 £	Assets 2016 £	Assets 2015 £
ACAs	413,372	373,971	-	-
Tax losses	-	(37,471)	141,220	-
	<u>413,372</u>	<u>336,500</u>	<u>141,220</u>	<u>-</u>

The company has no deferred tax assets or liabilities.

# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

### 22 Deferred taxation (Continued)

	Group 2016 £	Company 2016 £
<b>Movements in the year:</b>		
Liability at 1 January 2016	336,500	-
Other	(64,348)	-
Liability at 31 December 2016	<u>272,152</u>	<u>-</u>

### 23 Retirement benefit schemes

	2016 £	2015 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u>122,144</u>	<u>116,316</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

### 24 Share capital

	Group and company 2016 £	2015 £
<b>Ordinary share capital issued and fully paid</b>		
1 Ordinary of £1 each	<u>1</u>	<u>1</u>

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.



# VCS (HOLDINGS UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

### 25 Reserves

#### Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

### 26 Cash generated from group operations

	2016 £	2015 £
Loss for the year after tax	(5,222,623)	(7,362,901)
Adjustments for:		
Taxation charged	98,128	6,046
Finance costs	3,900,590	3,442,456
Investment income	(1,036)	(340)
(Gain)/loss on disposal of tangible fixed assets	-	78
Amortisation and impairment of intangible assets	1,612,540	1,685,478
Depreciation and impairment of tangible fixed assets	174,202	275,872
Other gains and losses	1,638	-
Movements in working capital:		
Decrease/(increase) in stocks	1,800	(1,800)
(Increase) in debtors	(7,364,867)	(546,533)
Increase in creditors	2,231,717	8,422,840
<b>Cash (absorbed by)/generated from operations</b>	<b>(4,567,911)</b>	<b>5,921,196</b>

### 27 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:

	Group 2016 £	2015 £	Company 2016 £	2015 £
Within one year	154,332	249,484	-	-
Between one and five years	605,639	508,612	-	-
In over five years	244,584	122,292	-	-
	<u>1,004,555</u>	<u>880,388</u>	<u>-</u>	<u>-</u>

## VCS (HOLDINGS UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 28 Related party transactions

##### **Remuneration of key management personnel**

The remuneration of key management personnel of the group, who are also directors, is as follows.

	2016 £	2015 £
<i>Aggregate compensation</i>	335,114	392,160

The following amounts were outstanding at the reporting end date:

	<b>Amounts owed to related parties</b>	
	2016 £	2015 £
<b>Group</b>		
Entities with control, joint control or significant influence over the group	55,380,365	44,297,112