

**Company Registration No. 2285524**

**SmartStream Technologies Limited**

**Report and Financial Statements**

**31 December 2013**



# **SmartStream Technologies Limited**

<b>Contents</b>	<b>Page</b>
<b>Corporate information</b>	<b>1</b>
<b>Annual report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>6</b>
<b>Independent auditors' report</b>	<b>7</b>
<b>Profit and loss account</b>	<b>9</b>
<b>Statement of total recognised gains and losses</b>	<b>10</b>
<b>Balance sheet</b>	<b>11</b>
<b>Notes to the accounts</b>	<b>12</b>

# **SmartStream Technologies Limited**

## **Corporate information**

### **Directors**

P Chambadal  
P Thomas  
K Schrolnberger

### **Secretary**

K Schrolnberger

### **Registered office**

St Helen's  
1 Undershaft  
London  
EC3A 8EE

### **Auditors**

Ernst & Young LLP  
The Paragon  
Counterslip  
Bristol  
BS1 6BX

### **Bankers**

The Royal Bank of Scotland  
Thames Valley Corporate - Reading Office  
Brunel House  
2nd Floor  
17/27 Station Road  
Reading  
Berkshire  
RG1 1LG

### **Solicitors**

Macfarlanes  
20 Cursitor Street  
London  
EC4A 1LT

# SmartStream Technologies Limited

Company registration No. 2285524

## Annual report for the year ended 31 December 2013

The Directors present their annual report and the audited financial statements for the year ended 31 December 2013.

The Articles of Association of the Company contain an indemnity in favour of all of the Directors of the Company that, subject to law, indemnifies the Directors from the assets of the Company against any liability incurred by them in defending any proceedings in which judgement is given in their favour (or otherwise disposed of without any finding or admission of any material breach of duty on their part).

### STRATEGIC REPORT

#### Principal activities

The principal activities of the Company are the development, distribution and service of its Transaction Lifecycle Management software products and provision of Data Management Services for back office processing, primarily to the financial services industry. There have been no significant changes in the Company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

#### Business review

The Directors are pleased to report that in 2013 revenue continued to grow through increased license revenue and increased revenue from data management services. Cash balances at the end of 2013 were lower than at 2012 due to the repayment of US \$6.9 million of the loan to D-Clear Europe Ltd (note 13), the intermediate parent undertaking.

During the year the Company and SmartStream Technologies GmbH disposed of the assets and liabilities and transferred 15 employees relating to its Svenson regulatory reporting software suite to Wolters Kluwer Financial Services. The Company recorded a gain of £1.1 million on the disposal.

As shown in the Company's profit and loss account on page 9, for the year ended 31 December 2013 the Company achieved revenues of £36.6 million (2012: £35.1 million). Operating profit before exceptional items, goodwill and intellectual property rights (IPR) amortisation is £7.8 million (2012: £7.5 million). After charging exceptional items, goodwill and IPR amortisation, operating profit was £5.2 million (2012: £4.2 million).

The key performance indicators monitored by the Company to measure its progress against its future strategy are shown in the table below:

	2013	2012	Definition and method of calculation
Revenue growth	4.3%	20.1%	Year on Year Revenue growth expressed as a percentage
Adjusted EBITDA <sup>(i)</sup> margin	21.2%	21.2%	Adjusted EBITDA margin is the ratio of Adjusted EBITDA to Revenue expressed as a percentage
Cash at Bank	<u>£2.4m</u>	<u>£6.4m</u>	Cash and cash equivalents

(i) Adjusted EBITDA - operating profit before exceptional items and amortisation.

# **SmartStream Technologies Limited**

Company registration No. 2285524

## **Annual report (continued)**

### **STRATEGIC REPORT (continued)**

#### **Future strategy**

The Company intends to continue its expansion strategy by looking to develop new markets and sectors that will benefit from greater automation and control.

#### **Research and development**

The Company continued to invest in research and development.

As disclosed in note 5 to the financial statements, the Company expensed £13.0 million relating to software development activities in the year (2012: £12.1 million).

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

The Company operates in a highly competitive marketplace, which presents a continuing risk of loss of sales to its key competitors. The Company manages this risk by maintaining strong relationships with its customers, by keeping its products at the leading edge by continued investment in research and development, and by providing high levels of support for its products in the field.

The Company's activity exposes it to a number of financial risks including price risk, credit risk and cash flow risk.

##### *Foreign currency and interest rate risk*

The Company operates in a global market and sales are made in a variety of currencies: principally Pounds Sterling, Euros and US Dollars. The Company is therefore exposed to fluctuations in exchange rates. The Company's finance function manages this exposure by ensuring that there is a reasonable match between assets and liabilities denominated in the major currencies of operations.

##### *Credit risk*

The Company's principal financial assets are cash and cash equivalents, trade and other receivables, and investments.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows anticipated to arise from the related asset.

The credit risk on liquid funds is reviewed through the selection of counterparties with appropriate credit-ratings as assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

## **SmartStream Technologies Limited**

Company registration No. 2285524

### **Annual report (continued)**

#### **STRATEGIC REPORT (continued)**

##### *Liquidity risk*

The Company's liquidity management policy is to ensure the maintenance of sufficient cash and availability of funding through credit facilities as necessary.

Management uses projected cash flows in major currencies to consider the level of liquid assets necessary to meet these cash flows.

Approved by the Board of Directors and signed on behalf of the Board



P Thomas

Director

14 August 2014

# **SmartStream Technologies Limited**

Company registration No. 2285524

## **Annual report (continued)**

### **DIRECTORS' REPORT**

#### **Results and dividends**

The profit for the year of £7.4 million (2012: £6.8 million) has been added to reserves.

The Directors do not recommend the payment of a dividend (2012: £nil).

#### **Directors and their interests**

The Directors during the year, and to the date of this report, were as follows:

P Thomas  
P Chambadal  
K Schrolnberger

The Directors held no beneficial interests in the shares of the Company during the year.

The Directors' interests in SmartStream Technologies Group Limited are disclosed in that company's financial statements.

#### **Going concern basis**

After making enquiries and receiving a letter of support from the ultimate parent company, Investment Corporation of Dubai, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

#### **Policy and practice on payment of creditors**

It is the Company's policy in respect of all suppliers to agree payment terms in advance of the supply of goods and services and to adhere to those payments terms, provided that all trading terms and conditions have been complied with. At 31 December 2013, the Company had an average of 20 days purchases owed to trade creditors (2012: 25 days).

#### **Auditors and disclosure of information to auditors**

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### **Auditors**

In accordance with s. 485 of the Companies act 2006, a resolution is to be proposed at the Annual General meeting for reappointment of Ernst & Young LLP as auditors of the Company.

Approved by the Board of Directors and signed on behalf of the Board



P Thomas

Director

14 August 2014

## **SmartStream Technologies Limited**

Company registration No. 2285524

### **Statement of directors' responsibilities in respect of the Annual report and financial statements**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions and qualifications if necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditors' report to the members of SmartStream Technologies Limited**

We have audited the financial statements of SmartStream Technologies Limited for the year ended 31 December 2013 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes 1 to 19. 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).

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

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit 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 matter prescribed by the Companies Act 2006**

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

## **Independent auditors' report to the members of SmartStream Technologies Limited (continued)**

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

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

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



Jane Barwell (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Bristol

14 August 2014

## SmartStream Technologies Limited

Company registration No. 2285524

### Profit and Loss account for the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Turnover	2	36,642	35,138
Cost of sales		(2,282)	(1,953)
<b>Gross profit</b>		<b>34,360</b>	<b>33,185</b>
Other operating income	3	1,086	0
Operating expenses		(27,672)	(25,729)
<b>Operating profit before exceptional items and amortisation</b>		<b>7,774</b>	<b>7,456</b>
Amortisation	5	(2,619)	(2,659)
Exceptional items	5	0	(592)
<b>Operating profit</b>	5	<b>5,155</b>	<b>4,205</b>
Interest receivable and similar income	6	4,635	3,910
Interest payable and similar charges	7	(1,699)	(776)
<b>Profit on ordinary activities before taxation</b>		<b>8,091</b>	<b>7,339</b>
Tax charge on profit on ordinary activities	8	(673)	(500)
<b>Profit on ordinary activities after taxation for the financial year</b>		<b>7,418</b>	<b>6,839</b>

All activities derive from continuing operations.

There is no material difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis. Accordingly, a note of the historical cost profits and losses for the year is not given.

## **SmartStream Technologies Limited**

Company registration No. 2285524

### **Statement of total recognised gains and losses for the year ended 31 December 2013**

	<b>2013 £000</b>	<b>2012 £000</b>
<b>Profit for the year</b>	<u>7,418</u>	<u>6,839</u>
<b>Total recognised gains and losses for the year</b>	7,418	6,839
Foreign exchange differences on translation of foreign operations (note 16)	1	(19)
<b>Total gains and losses recognised since last annual report</b>	<u><u>7,419</u></u>	<u><u>6,820</u></u>

# SmartStream Technologies Limited

Company registration No. 2285524

## Balance Sheet

as at 31 December 2013

	Notes	2013 £000	2012 £000
<b>Fixed assets</b>			
Intangible assets	9	9,895	13,062
Tangible assets	10	329	432
Investments	11	5,776	5,776
		<u>16,000</u>	<u>19,270</u>
<b>Current assets</b>			
Debtors	12	99,355	83,463
Cash at bank and in hand		2,355	6,388
		<u>101,710</u>	<u>89,851</u>
<b>Current liabilities</b>			
Creditors	13	(37,433)	(36,283)
		<u>(37,433)</u>	<u>(36,283)</u>
<b>Net current assets</b>		<u>64,277</u>	<u>53,568</u>
<b>Total assets less current liabilities</b>		<u>80,277</u>	<u>72,838</u>
<b>Non-current liabilities</b>			
Provisions for liabilities and charges	14	(88)	(68)
<b>Net assets</b>		<u>80,189</u>	<u>72,770</u>
<b>Capital and reserves</b>			
Called up share capital	15	10,000	10,000
Share premium reserve	16	24,186	24,186
Capital contribution reserve	16	6,026	6,026
Foreign currency translation reserve	16	(17)	(18)
Profit and loss reserve	16	39,994	32,576
<b>Shareholders' funds</b>		<u>80,189</u>	<u>72,770</u>

These financial statements were approved and authorised for issue by the Board of Directors on 14 August 2014.

Signed on behalf of the Board of Directors

*P Thomas*

P Thomas

Director

# SmartStream Technologies Limited

## Notes to the financial statements

### for the year ended 31 December 2013

#### 1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. All accounting policies have been applied on a consistent basis in the current and previous periods.

#### Consolidation

The Company has taken advantage of the exemption available under s400 of the Company's Act 2006 and has not prepared group accounts. The Company is an indirectly-held wholly owned subsidiary of D-Clear Europe Limited, a Company incorporated in England and Wales, which produces group accounts. These financial statements therefore present information about the Company not about its group.

#### Accounting convention

The financial statements are prepared under the historical cost convention.

#### Going concern basis

After making enquiries and receiving a letter of support from the ultimate parent company, Investment Corporation of Dubai, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

#### Turnover and income recognition

The Company enters into arrangements, which may include the sale of licences of the SmartStream Group's software products and packaged configurations ("software"), professional services, maintenance and data management services or various combinations of products or services. Revenue from the sale of software relates mainly to perpetual licences, which provide the customers with the right to use the Company's software. Revenue is generally recognised when a signed agreement or other persuasive evidence of an arrangement exists, the software has been delivered either physically or electronically, the licence fee is fixed or determinable, and collection of the resulting receivable is reasonably assured, the Company recognises software licence revenue based on the "Residual Method"; the fair value of undelivered elements is deferred and the remaining portion of the fee is allocated to the delivered elements (generally the software licence).

For contracts involving multiple deliverables, the Company evaluates each deliverable to determine whether it represents a separate unit of accounting based on the following criteria: (a) whether the delivered item has value to the customer on a stand-alone basis, (b) whether there is objective and reliable evidence of the fair value of the undelivered item(s), and (c) if the contract includes a general right of return relative to the delivered item, delivery or performance of the undelivered item(s) is considered probable and substantially in the control of the Company. If objective and reliable evidence of fair value exists for all units of accounting in the arrangement, revenue is allocated to each unit of accounting or element based on relative fair values. In situations where there is objective and reliable evidence of fair value for all undelivered elements, but not for delivered elements, the residual method is used to allocate the contract consideration.

The Company assesses whether the fee is fixed or determinable and collection is reasonably assured at the outset of an agreement. In determining whether the fee is fixed or determinable, the Company reviews the terms and conditions of the agreement. The Company assesses whether collection is reasonably assured based on a number of factors, including the terms and conditions of the agreement and the customer's past transaction history and credit-worthiness. If it is determined that collection of a fee is not reasonably assured, the Company defers the fee and recognises revenue at the time collection becomes reasonably assured.

Revenue from the provision of data management services is recognised rateably over the term of the service period.

# SmartStream Technologies Limited

## Notes to the financial statements for the year ended 31 December 2013

### 1. Accounting policies (continued)

#### Turnover and income recognition (continued)

Many customers who licence software also enter into separate professional services arrangements with the Company. The Company reviews whether such arrangements should be considered alongside other elements/arrangements to determine whether the arrangements taken together should be considered as one arrangement.

Professional services are generally separable from the other elements under the arrangement, since the performance of the services is not essential to the core software functionality of the software (i.e. the services do not involve significant production, modification or customisation of the software). Generally, consulting and implementation services are sold on a time-and-materials basis and revenue is recognised when the services are performed. Contracts with fixed or 'not to exceed fees' are recognised on a percentage of completion method. When the provision of services represents more than one performance act, the nature of the service contract is reviewed to determine which revenue recognition method best reflects the nature of services performed. Provided all other revenue recognition criteria have been met, the revenue recognition method selected reflects the pattern in which the obligations to the customers have been fulfilled. If there is a significant uncertainty about the project completion or receipt of payment for professional services, revenue is deferred until the uncertainty is sufficiently resolved. In determining whether professional services revenue should be accounted for separately from licence revenue, the Company evaluates, among other factors, the nature of the software, whether it is ready for use by the customer upon receipt, the nature of the Company's implementation services, which typically do not involve significant customisation or development of the underlying software code, the availability of services from other vendors, whether the timing of payments for licence fees is coincident with performance of services and whether milestones or acceptance criteria exist that affect the collectability of the software licence fee.

Maintenance revenue is deferred and recognised rateably over the term of the maintenance and support period. Where customers benefit over the implementation period from product enhancements normally provided as maintenance services, an element of the licence fee is deferred and recognised rateably over the implementation period up to the start of paid maintenance.

Training revenue is recognised as training services are delivered. To the extent that training is bundled in an arrangement, the revenue allocated is based on the value of standalone sales of training services.

For arrangements that do not qualify for separate accounting, the licence and professional services revenues are recognised together using the percentage-of-completion method. Under the percentage-of-completion method, revenue recognised is equal to the ratio of costs expended to date to the anticipated total contract costs, based on current estimates of costs to complete the project. If the total estimated costs to complete a project exceed the total contract amount, indicating a loss, the entire anticipated loss would be recognised immediately.

Revenues that are recognised ahead of billings are shown as accrued income. Expenses recharged to customers are recognised as revenue.

The Company recognises revenue for royalties charged to group undertakings. These royalties are in respect of products that have been developed in the United Kingdom which group undertakings licence to generate their own revenue.

The Company also recognises revenue in respect of fees charged to group undertakings in regard to management services provided by the Group's central management who are compensated for their services by the Company.

Expenses that are subsequently rebilled to customers are recognised as turnover with corresponding costs reflected in cost of sales.

# SmartStream Technologies Limited

## Notes to the financial statements

### for the year ended 31 December 2013

#### 1. Accounting policies (continued)

##### Cost of sales

The Company's cost of sales includes the cost of software licensing from third-party vendors and distributor and reseller commissions.

Third party expenses include the cost of licensing third-party products contained in SmartStream's own products and commissions payable to distributors and resellers.

##### Research and Development

Research and development expenditure, including the cost of software products developed in-house, is expensed fully in the year in which it is incurred.

##### Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The Company's purchased software has an estimated useful life of 3 years.

Intellectual property rights obtained on acquisition in relation to the products and services used by the Company were valued by an independent valuer at the time of acquisition and were amortised on a straight-line basis over a period of 8 years.

##### Goodwill

Under FRS 10 ("Goodwill and Intangible Assets"), goodwill arising on the acquisition of the businesses after 1 May 1998 has been capitalised and is being amortised, on a straight-line basis, over a period of 20 years, being the period expected to benefit. The Directors are required to assess whether there is any impairment in the carrying value of this asset when indicators of impairment exist. Provision is made where the Directors have concluded that impairment exists. Where the Directors subsequently conclude that conditions for impairment no longer exist, the impairment loss is reversed to the extent it increases the carrying amount of the goodwill up to the amount that it would have been if the original impairment had not occurred.

##### Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and provision for impairment. Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. No depreciation is provided in the month the asset is purchased. The rates of depreciation are as follows:

Leasehold land and buildings	Remaining length of lease
Computer equipment and software	3 years
Furniture and fittings	5 years
Office equipment	5 years

# SmartStream Technologies Limited

## Notes to the financial statements for the year ended 31 December 2013

### 1. Accounting policies (continued)

#### Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

#### Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date the Company 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).

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. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ('CGU') to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

#### Foreign currencies

Transactions in currencies other than the Company's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the profit and loss account for the period.

The assets and liabilities of the Company's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Company's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

# SmartStream Technologies Limited

## Notes to the financial statements for the year ended 31 December 2013

### 1. Accounting policies (continued)

#### **Taxation**

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

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### **Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Company's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

#### **Pension costs**

In the United Kingdom, employees are entitled to join a defined contribution pension scheme. Contributions to the scheme are charged to the profit and loss account as they become payable.

#### **Related party transactions**

The Company has taken advantage of the exemption available under Financial Reporting Standard No. 8 from the requirement to disclose related party transactions with wholly owned entities within the D-Clear Europe Group.

#### **Cash flow statement**

The Company has taken advantage of Financial Reporting Standard 1 (revised 1996) from the requirement to produce a cash flow statement as an intermediate parent undertaking, D-Clear Europe Limited prepares a consolidated cash flow statement.

#### **Critical accounting judgements and key sources of estimation uncertainty**

In preparing the financial statements, management makes judgements on how to apply the Company's accounting policies and make estimates about future events. The critical judgements that have been made in arriving at the amounts recognised in the financial statements and the key areas of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the next financial year, are presented below:

##### *Revenue recognition*

The recognition of revenues arising from the sale of software licences and provision of professional services under the Company's accounting policies involves the exercise of management judgement in determining whether individual elements in multiple element arrangements may be recognised independently and the fair value to assign to each element, or should be recognised together. Management reviews the Company's customer contracts, the terms of which can be complex, and exercises judgement in determining whether an arrangement's outcome can be estimated reliably. Management also makes estimates of the total cost of professional services, or in some instances total contract costs, which are used in determining the value of amounts recoverable and any related provisions. Estimates are continually revised based on changes in the facts relating to each arrangement.

# SmartStream Technologies Limited

## Notes to the financial statements for the year ended 31 December 2013

### 1. Accounting policies (continued)

#### Critical accounting judgements and key sources of estimation uncertainty (continued)

##### *Selection of useful life for intangible assets*

The determination of the useful life of intangible assets, particularly on those arising on acquisition, involves the exercise of management judgement.

##### *Impairment of goodwill, intangible and tangible assets*

Determining whether goodwill, intangible and tangible assets are impaired requires an estimation of the value in use of the cash-generating unit to which goodwill, intangible and tangible assets have been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and the appropriate discount rate in order to calculate present value. The carrying amount of goodwill and intangible assets at each balance sheet date is shown in note 9.

##### *Taxation*

In recognising income tax assets and liabilities, Directors make estimates of the likely outcome of decisions by tax authorities on transactions and events whose treatment for tax purposes is uncertain. When the final outcome of such matters is different, or expected to be different, from previous assessments by management, a change to the carrying value of income tax assets and liabilities will be recorded in the period in which such a determination is made. In recognising deferred tax assets and liabilities management also makes judgements about likely future taxable profits. The carrying values of current tax and deferred tax assets and liabilities are disclosed separately in the consolidated balance sheet.

### 2. Turnover

Turnover may be analysed as follows and is stated net of value added tax.

	2013 £000	2012 £000
<b>Analysis of turnover</b>		
Provision of computer services to third parties	22,337	22,530
Royalties receivable from other group companies	12,949	11,652
Management services fees receivable from other group companies	1,356	956
	<u>36,642</u>	<u>35,138</u>

The Company's activities can be analysed on a geographical basis as follows:

	2013 £000	2012 £000
<b>Turnover by destination</b>		
United Kingdom	9,356	14,798
Europe	15,945	11,423
Rest of world	11,341	8,917
	<u>36,642</u>	<u>35,138</u>

# SmartStream Technologies Limited

## Notes to the financial statements for the year ended 31 December 2013

### 3. Other operating income

£1,085,764 is the gain on the disposal of the trade and assets relating to the Group's Svenson regulatory reporting software.

### 4. Information regarding Directors and employees

	2013 £000	2012 £000
<b>Directors' remuneration</b>		
Salaries and bonuses	389	423
Contributions to personal pension schemes	14	14
	<u>403</u>	<u>437</u>
 The emoluments of the highest paid Director are as follows:		
Salaries and bonuses	192	189
Contributions to personal pension schemes	7	7
	<u>199</u>	<u>196</u>
 Number of Directors who are members of defined contribution schemes	No. <u>2</u>	No. <u>2</u>
 <b>Average number of persons employed</b>		
Technical staff	93	90
Management and administration	20	23
Sales and Marketing	13	16
	<u>126</u>	<u>129</u>

	2013 £000	2012 £000
<b>Staff cost during the year (including Directors):</b>		
Wages, salaries and bonuses	8,618	8,195
Social security costs	979	961
Contributions to pension schemes	406	401
Other employment costs <sup>(i)</sup>	64	76
	<u>10,067</u>	<u>9,633</u>

(i) Other employment costs consist of employee's mobile phone costs and professional subscriptions.

# SmartStream Technologies Limited

## Notes to the financial statements for the year ended 31 December 2013

### 4. Information regarding Directors and employees (continued)

#### Pensions

The Company makes contributions to defined contribution schemes. The cost of these schemes to the Company amounted to £405,551 during the year (2012: £400,822). The Company has £657 of accrued liabilities at 31 December 2013 (2012: £nil) in regard of these plans.

### 5. Operating profit

	2013 £000	2012 £000
<b>Amortisation:</b>		
Goodwill	2,535	2,644
Purchased software capitalised	84	15
	<u>2,619</u>	<u>2,659</u>
<b>Exceptional items:</b>		
Reorganisation costs <sup>(i)</sup>	0	592
	<u>0</u>	<u>592</u>

(i) Costs associated with a reduction in employee numbers as a result of a reorganisation programme.

	2013 £000	2012 £000
<b>Operating profit is stated after charging:</b>		
Depreciation of owned assets	187	364
Auditors' remuneration:		
Audit fees:		
Fees payable to the Company's auditors for the audit of the Company's annual accounts	59	58
Other services	0	0
Rentals under operating leases		
Land and buildings	470	417
Research and development	<u>13,044</u>	<u>12,057</u>

# SmartStream Technologies Limited

## Notes to the financial statements for the year ended 31 December 2013

### 6. Interest receivable and similar income

	2013 £000	2012 £000
Interest receivable from group undertakings	4,629	3,612
Bank interest receivable	6	25
Foreign exchange gain	0	273
	<u>4,635</u>	<u>3,910</u>

### 7. Interest payable and similar charges

	2013 £000	2012 £000
Interest payable to group undertakings	851	776
Foreign exchange loss	848	0
	<u>1,699</u>	<u>776</u>

### 8. Tax charge on profit on ordinary activities:

	2013 £000	2012 £000
Current taxation:		
UK corporation tax	142	340
Double tax relief	(142)	(340)
Overseas tax charge	142	340
Total current tax	<u>142</u>	<u>340</u>
Deferred taxation:		
Origination and reversal of timing differences	(31)	(73)
Adjustment in respect of prior years	23	(122)
Effect of change in tax rate	539	355
Tax charge on profit on ordinary activities	<u>673</u>	<u>500</u>

# SmartStream Technologies Limited

## Notes to the financial statements for the year ended 31 December 2013

### 8. Tax charge on profit on ordinary activities (continued)

#### Factors affecting the tax charge for the current year

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%). The differences are explained below:

	2013 £000	2012 £000
Profit on ordinary activities before tax	8,091	7,339
Tax at 23.25% (2012: 24.5%) thereon	1,881	1,798
Effects of:		
Expenses not deductible for tax purposes	629	668
Capital allowances in excess of depreciation/amortisation	36	79
Group relief received for nil consideration	(2,404)	(2,205)
Current tax charge for the year	142	340

#### Deferred tax included in the balance sheet is as follows:

	2013 £000	2012 £000
Decelerated capital allowances	3,576	4,073
Short term timing differences	51	85
Included in debtors (note 12)	3,627	4,158
		£000
At 1 January 2013		4,158
Origination and reversal of timing differences		31
Adjustment in respect of prior years		(23)
Effect of change in tax rate		(539)
At 31 December 2013		3,627

The main rate of corporation tax was reduced from 24% to 23% with effect from 1 April 2013. Finance Act 2013 enacted a reduced tax rate of 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. As these reductions had been substantively enacted at the balance sheet date they have therefore been reflected in these financial statements.

The tax rate to 20% was substantively enacted on 2 July 2013 and therefore has been reflected in the financial statements for the purpose of calculating deferred tax assets and liabilities (2012: 23%). The effect of the rate change in the year ended 31 December 2013 was to reduce the deferred tax asset by £539,463 (2012: £355,250).

# SmartStream Technologies Limited

## Notes to the financial statements for the year ended 31 December 2013

### 9. Intangible assets

	Goodwill £000	IPR £000	Purchased software capitalised £000	Total £000
<b>Cost</b>				
At 1 January 2013	51,125	27,202	668	78,995
Addition	0	0	319	319
Disposals	(3,999)	(1,218)	0	(5,217)
At 31 December 2013	47,126	25,984	987	74,097
<b>Amortisation</b>				
At 1 January 2013	38,084	27,202	647	65,933
Charge for the year	2,535	0	84	2,619
Disposals	(3,132)	(1,218)	0	(4,350)
At 31 December 2013	37,487	25,984	731	64,202
<b>Net book value</b>				
At 31 December 2013	9,639	0	256	9,895
At 31 December 2012	13,041	0	21	13,062

The disposal relates to the intangible assets that are attributable to the Svenson regulatory reporting software.

### 10. Tangible assets

	Leasehold improvements £000	Computers, furniture and equipment £000	Total £000
<b>Cost</b>			
At 1 January 2013	1,595	1,302	2,897
Additions	0	84	84
At 31 December 2013	1,595	1,386	2,981
<b>Accumulated depreciation</b>			
At 1 January 2013	1,361	1,104	2,465
Charge for the year	76	111	187
At 31 December 2013	1,437	1,215	2,652
<b>Net book value</b>			
At 31 December 2013	158	171	329
At 31 December 2012	234	198	432

# SmartStream Technologies Limited

## Notes to the financial statements for the year ended 31 December 2013

### 11. Investments

	2013 £000	2012 £000
<b>Cost</b>		
Balance at 1 January and 31 December	<u>5,879</u>	<u>5,879</u>
<b>Provision for impairment</b>		
Balance at 1 January and 31 December	<u>(103)</u>	<u>(103)</u>
<b>Net book value</b>		
At 31 December	<u>5,776</u>	<u>5,776</u>

Taking a net asset approach at 31 December 2011 the Directors believed that the investment in SmartStream Technologies Iberia SL was impaired and as such it was fully provided for. Having performed a review of the carrying amount of the investments at 31 December 2012 and 31 December 2013 the Directors concluded that there are no indications of any further impairment.

A list of the significant investments in subsidiaries at 31 December 2013, including the name, country of incorporation is given below. All subsidiaries are 100% owned.

Subsidiary	Country of Registration	Principal Activity
SmartStream Technologies GmbH	Austria	Software
SmartStream Technologies Iberia SL	Spain	Software

# SmartStream Technologies Limited

## Notes to the financial statements for the year ended 31 December 2013

### 12. Debtors

	2013 £000	2012 £000
Due within one year:		
Trade debtors	13,735	13,157
Amounts owed by group undertakings <sup>(i)</sup>	51,028	36,445
Amounts owed by intermediate parent undertaking <sup>(ii)</sup>	29,944	28,823
Deferred taxation (note 8)	3,627	4,158
Prepayments and other debtors	1,021	880
	<u>99,355</u>	<u>83,463</u>

- (i) The amounts owed by group undertakings have no fixed redemption date, are repayable with 90 days notice period and accrue interest at rates which vary from 3 months LIBOR +3% and 3 months EURIBOR +2% to the greater of 7% and LIBOR +2% per annum. The average interest rate for the period was 4.24% (2012: 4.53%).
- (ii) On 30 December 2010 the previous ultimate parent company, DIFCI assigned its right to receive interest of US\$ 28,099,533 and £3,143,093 arising on an intra-group loan with D-Clear Europe Limited to the Company in return for an amount in consideration equal to the interest. The balance due to SmartStream Technologies Limited from D-Clear Europe Limited in respect of the interest assigned is equivalent to £20,096,975 (2012: £20,357,269) and is due on demand. The remaining £9,846,819 (2012: £8,465,319) represent amounts paid on behalf of D-Clear Europe Limited.

### 13. Creditors: amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	574	230
Amounts owed to group undertakings <sup>(i)</sup>	25,585	20,521
Amounts owed to intermediate parent undertakings <sup>(ii)</sup>	552	4,806
Corporation tax	42	97
Other taxes and social security	1,003	1,847
Accruals and sundry creditors	1,628	1,789
Deferred revenue	8,049	6,993
	<u>37,433</u>	<u>36,283</u>

- (i) The amounts owed to group undertakings have no fixed redemption date, are repayable with 90 days notice period and accrue interest at rates which vary from 3 months LIBOR +3% and 3 months EURIBOR +2% to the greater of 7% and LIBOR +2% per annum. The average interest rate for the year was 4.24% (2012: 4.53%).

# SmartStream Technologies Limited

## Notes to the financial statements

### for the year ended 31 December 2013

#### 13. Creditors: amounts falling due within one year (continued)

- (ii) On 30 December 2010 DIFCI assigned its right to receive interest of US\$ 28,099,533 and £3,143,093 arising on an intra-group loan with D-Clear Europe Limited to SmartStream Technologies Limited in return for an amount in consideration equal to the interest, of which US\$ 12,100,000 and £3,143,093 was met in cash and the balance of US\$ 15,999,533 or £10,308,254 left outstanding on intercompany account on terms that it was payable on demand and accrued interest at 6.14% per annum. US\$ 942,000 or equivalent of £585,962 of interest was accrued in 2011 (note 6). In December 2011 SmartStream Technologies Limited repaid the remaining balance of US\$ 15,999,533 together with the accrued interest of US\$ 944,691.

To facilitate this repayment a new interest free short term loan of US\$ 16,944,224 was received from D-Clear Europe Limited. During 2012 the Company repaid US\$ 10,000,000 of the loan. The equivalent of £4,254,205 was outstanding at 31 December 2012. The remaining balance of the loan was repaid in 2013.

Up to 31 December 2011 DIFCI paid expenses totalling £552,000 on behalf of SmartStream Technologies Limited. On 31 May 2012 as part of the change in the ultimate parent undertaking the balance owed to DIFCI was assigned to D-Clear Europe Limited.

#### 14. Provisions for liabilities and charges

##### Restructuring provision

	2013 £000	2012 £000
Balance at 1 January	0	28
Utilised in the year	0	(28)
	<hr/>	<hr/>
Balance at 31 December	0	0
	<hr/>	<hr/>

The restructuring provision comprised £28,000 associated with a reduction in employee numbers which commenced prior to 30 June 2009, but remained unpaid.

##### Property provisions

	2013 £000	2012 £000
At 1 January	68	54
Charge to profit and loss account	20	23
De-capitalised in the year (note 10)	0	(9)
	<hr/>	<hr/>
At 31 December	88	68
	<hr/>	<hr/>

The property provisions represent dilapidation provisions on property leases held by the Company (expected to be utilised by the year ending 31 December 2017).

# SmartStream Technologies Limited

## Notes to the financial statements for the year ended 31 December 2013

### 14. Provisions for liabilities and charges (continued)

Analysis of total provisions:

	2013 £000	2012 £000
Non-current	88	68
Current	0	0
Balance at 31 December	<u>88</u>	<u>68</u>

### 15. Allotted and issued share capital

	2013 £000	2012 £000
Called up, allotted and fully paid 10,000,000 (2012: 10,000,000) ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

### 16. Reconciliation of movements in shareholders' funds and movements in reserves

	Share capital £000	Share premium account £000	Capital contribution reserve £000	Foreign Currency Translation reserve £000	Profit & loss account £000	Total £000
As at 1 January 2012	10,000	24,186	6,026 <sup>(i)</sup>	1	25,737	65,950
Retained profit for the year	0	0	0	(19)	6,839	6,820
As at 31 December 2012	<u>10,000</u>	<u>24,186</u>	<u>6,026</u>	<u>(18)</u>	<u>32,576</u>	<u>72,770</u>
Retained profit for the year	0	0	0	1	7,418	7,419
As at 31 December 2013	<u>10,000</u>	<u>24,186</u>	<u>6,026</u>	<u>(17)</u>	<u>39,994</u>	<u>80,189</u>

# SmartStream Technologies Limited

## Notes to the financial statements

### for the year ended 31 December 2013

#### 16. Reconciliation of movements in shareholders' funds and movements in reserves (continued)

- (i) On completion of the acquisition of the Company's parent, SmartStream Technologies Holdings Limited, on 31 August 2006, an acquisition bonus was paid to Directors and key employees. The liability to pay these bonuses was that of the acquiring company, SmartStream Acquisitions Limited, which reimbursed the Company the expense of these bonuses paid on its behalf. The payment in the year ended 30 June 2007 of £6,026,000 from SmartStream Acquisitions Limited in respect of exit bonuses recognised by the Company represented a capital contribution by SmartStream Acquisitions Limited.

#### 17. Financial commitments

##### Operating lease commitments

At the balance sheet date, the Company had annual cash commitments under non-cancellable operating leases as set out below:

	2013 Land and buildings £000	2012 Land and buildings £000
Leases which expire:		
Within one year	0	0
Within two to five years	329	329
After five years	0	0
	<hr/>	<hr/>
	329	329
	<hr/>	<hr/>

##### Capital commitments

At 31 December 2013 (31 December 2012: £nil) the Company had no capital commitments.

#### 18. Ultimate Parent Company and controlling party

The immediate parent undertaking of the Company is SmartStream Technologies Holdings Limited, a company incorporated in Great Britain and registered in England and Wales.

The intermediate parent undertaking is SmartStream Technologies Group Limited, a company incorporated in Great Britain and registered in England and Wales. The immediate parent undertaking of SmartStream Technologies Group Limited is D-Clear Europe Limited, a company incorporated in Great Britain and registered in England and Wales. Copies of the group financial statements of D-Clear Europe Limited are available from The Aviva Tower, St Helen's, 1 Undershaft, London, EC3A 8EE, United Kingdom.

The ultimate parent company is Investment Corporation of Dubai, a company incorporated in Dubai, United Arab Emirates and the Directors consider the controlling party to be the Government of Dubai.

#### 19. Contingencies

On 10 February 2009 as approved by the board of the directors the Company became an unlimited composite guarantor of all the liabilities of SmartStream Acquisitions Limited, SmartStream Funding Limited, SmartStream Technologies Holdings Limited, SBS International Holdings Limited and SmartStream Technologies Group Limited. This unlimited inter company composite guarantee was signed in conjunction with the new facility to manage group bank accounts balances.