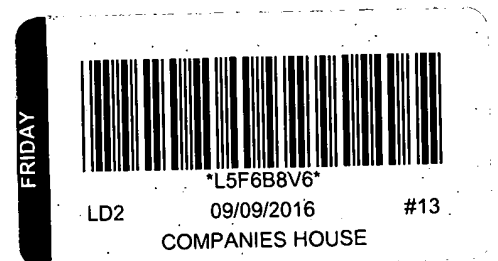


COMPANY REGISTRATION NUMBER: 07491501

SWORD TECHNOLOGY SOLUTIONS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31st DECEMBER 2015



BREBNERS
Chartered Accountants & Statutory Auditor
130 Shaftesbury Avenue
London
W1D 5AR

SWORD TECHNOLOGY SOLUTIONS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2015

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SWORD TECHNOLOGY SOLUTIONS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

J F Mottard
S A Allen

Registered office

1000 Great West Road
Brentford
Middlesex
United Kingdom
TW8 9DW

Auditor

Brebners
Chartered Accountants & Statutory Auditor
130 Shaftesbury Avenue
London
W1D 5AR

Bankers

HSBC Bank Plc
127 High Street
Hounslow
Middlesex
TW3 1QP

SWORD TECHNOLOGY SOLUTIONS LIMITED

STRATEGIC REPORT

YEAR ENDED 31st DECEMBER 2015

BUSINESS REVIEW

The principal activity of the company is the provision of IT consultancy services.

The directors are pleased with the results for the year. As part of Sword Group, Sword Technology Solutions has been able to compete more aggressively for new contracts in existing markets as well as aggressively targeting new geographical markets which has led to an increase in overseas turnover during the year.

KEY PERFORMANCE INDICATORS

Turnover, percentage change in turnover, and gross profit margin are the key measures of financial performance in the company, and are as follows for the company's continuing operations:

	2015	2014
Turnover (£)	2,881,582	2,457,453
Increase in turnover	17.3%	6.9%
Gross profit margin	4.0%	2.3%

On 1st December 2015, the trade and assets of the Enterprise Content Management ("ECM") division was transferred to Sword Charteris Limited, a related group undertaking.

The company seeks to ensure that responsible business practice is fully integrated into the management of all of its operations and into the culture of all parts of its business. It believes that the consistent adoption of responsible business practice is essential for operational excellence, which in turn, ensures the delivery of its core objectives of sustained real growth in revenue and profitability.

In a company this size, the directors consider there are collectively numerous non-financial performance indicators but no individual indicator is more important than any other.

FINANCIAL INSTRUMENTS

The company uses basic financial instruments, comprising of borrowings, cash and various other items, such as trade debtors and trade creditors that arise directly from its operations.

It is and has been throughout the year under review, the company policy that no trading in financial instruments shall be undertaken.

The company had no hedging arrangements at 31st December 2015.

Financial risk management objectives and policies

The management of the business is subject to a number of risks, which are reviewed by the board and appropriate procedures put in place to monitor and mitigate. The key risks are foreign exchange currency exposure, liquidity risk and customer credit exposure.

In respect of bank balances the company had no overdraft facility during the year and the company maintained significant cash at bank balances throughout the year.

Foreign exchange currency exposure

The company is exposed to currency exchange rate risk due to a significant proportion of its receivables being denominated in non-Sterling currencies. The net exposure of each currency is monitored by reviewing forward exchange rates and taking account of anticipated movements when negotiating key transactions and contracts.

Liquidity risk

The objective of the company in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The company expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the company has credit facilities available.

SWORD TECHNOLOGY SOLUTIONS LIMITED

STRATEGIC REPORT *(continued)*

YEAR ENDED 31st DECEMBER 2015

Customer credit exposure

The company may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The company is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by maintaining strong on-going customer relationships and closely monitoring outstanding debts from all sources.

FUTURE DEVELOPMENTS

The principal activity and trading performance of the company is expected to remain consistent for the foreseeable future.

This report was approved by the board of directors on5/9/16..... and signed on behalf of the board by:



S A Allen
Director

SWORD TECHNOLOGY SOLUTIONS LIMITED

DIRECTORS' REPORT

YEAR ENDED 31st DECEMBER 2015

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

DIRECTORS

The directors who served the company during the year were as follows:

J F Mottard
S A Allen

DIVIDENDS

Particulars of recommended dividends are detailed in note 11 to the financial statements.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Particulars of events after the reporting date are detailed in note 22 to the financial statements.

DISCLOSURE OF INFORMATION IN THE STRATEGIC REPORT

The company has chosen in accordance with s.414C(11) Companies Act 2006 to set out in the company's strategic report information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the directors' report. It has done so in respect of future developments and financial instruments.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

SWORD TECHNOLOGY SOLUTIONS LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31st DECEMBER 2015

AUDITOR

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

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board of directors on5/9/16..... and signed on behalf of the board by:



S A Allen
Director

SWORD TECHNOLOGY SOLUTIONS LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF SWORD
TECHNOLOGY SOLUTIONS LIMITED
YEAR ENDED 31st DECEMBER 2015

We have audited the financial statements of Sword Technology Solutions Limited for the year ended 31st December 2015, on pages 8 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's shareholder, 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 shareholder 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 shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the strategic report and the directors' report 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 31st December 2015 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 report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

SWORD TECHNOLOGY SOLUTIONS LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF SWORD
TECHNOLOGY SOLUTIONS LIMITED *(continued)*
YEAR ENDED 31st DECEMBER 2015

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.

Brebners

Philip Heath (Senior Statutory Auditor)

For and on behalf of
Brebners
Chartered Accountants & Statutory Auditor
130 Shaftesbury Avenue
London
W1D 5AR

8th September 2016

SWORD TECHNOLOGY SOLUTIONS LIMITED

INCOME STATEMENT

YEAR ENDED 31st DECEMBER 2015

		2015			2014		
	Note	Continuing operations £	Discont'd operations £	Total £	Continuing operations £	Discont'd operations £	Total £
TURNOVER	3	2,881,582	1,523,790	4,405,372	2,457,453	2,132,320	4,589,773
Cost of sales		(2,766,587)	(973,430)	(3,740,017)	(2,399,735)	(1,406,930)	(3,806,665)
GROSS PROFIT		114,995	550,360	665,355	57,718	725,390	783,108
Administrative expenses		(3,731,851)	(375,630)	(4,107,481)	(277,617)	(445,620)	(723,237)
Other operating income	4	29,291	—	29,291	—	—	—
OPERATING (LOSS)/PROFIT	5	(3,587,565)	174,730	(3,412,835)	(219,899)	279,770	59,871
Income from shares in group undertakings	8	16,300,000	—	16,300,000	435,978	—	435,978
Other interest receivable and similar income		104,258	—	104,258	364,208	—	364,208
Interest payable and similar charges	9	(201,850)	(12,190)	(214,040)	17,060	(17,060)	—
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		12,614,843	162,540	12,777,383	597,347	262,710	860,057
Tax on profit on ordinary activities	10	(90,641)	—	(90,641)	(125,943)	—	(125,943)
PROFIT FOR THE FINANCIAL YEAR		<u>12,524,202</u>	<u>162,540</u>	<u>12,686,742</u>	<u>471,404</u>	<u>262,710</u>	<u>734,114</u>

The notes on pages 11 to 21 form part of these financial statements.

SWORD TECHNOLOGY SOLUTIONS LIMITED
STATEMENT OF INCOME AND RETAINED EARNINGS
YEAR ENDED 31st DECEMBER 2015

	Note	2015 £	2014 £
Profit for the financial year and total comprehensive income		12,686,742	734,114
Dividends paid and payable	11	(16,300,000)	(150,000)
RETAINED EARNINGS AT THE START OF THE YEAR		764,966	180,852
RETAINED (LOSSES)/EARNINGS AT THE END OF THE YEAR		<u>(2,848,292)</u>	<u>764,966</u>

The notes on pages 11 to 21 form part of these financial statements.

SWORD TECHNOLOGY SOLUTIONS LIMITED

STATEMENT OF FINANCIAL POSITION

31st DECEMBER 2015

	Note	2015 £	2014 £
FIXED ASSETS			
Intangible assets	12	—	1,877,476
Tangible assets	13	36,176	91,000
Investments	14	40,309	40,309
		<u>76,485</u>	<u>2,008,785</u>
CURRENT ASSETS			
Debtors	15	7,256,008	23,544,312
Cash at bank and in hand		1,036,494	743,211
		<u>8,292,502</u>	<u>24,287,523</u>
CREDITORS: amounts falling due within one year	16	<u>1,131,647</u>	<u>1,198,930</u>
NET CURRENT ASSETS		<u>7,160,855</u>	<u>23,088,593</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,237,340</u>	<u>25,097,378</u>
CREDITORS: amounts falling due after more than one year	17	<u>85,532</u>	<u>14,332,312</u>
NET ASSETS		<u>7,151,808</u>	<u>10,765,066</u>
CAPITAL AND RESERVES			
Called up share capital	19	10,000,100	10,000,100
Profit and loss account	20	(2,848,292)	764,966
SHAREHOLDER FUNDS		<u>7,151,808</u>	<u>10,765,066</u>

These financial statements were approved by the board of directors and authorised for issue on 5/9/16, and are signed on behalf of the board by:



S A Allen
Director

Company registration number: 07491501

SWORD TECHNOLOGY SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2015

1. STATEMENT OF COMPLIANCE

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard Applicable in the UK and the Republic of Ireland' and the Companies Act 2006. The directors have elected to apply the July 2015 amendments to FRS 102 as permitted by paragraph 1.15.

2. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared on the historical cost basis in accordance with the accounting policies set out below.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Company information

The company is incorporated in England and Wales and limited by shares. Its registered office is situated at 1000 Great West Road, Brentford, Middlesex TW8 9DW.

The principal activity of the company during the year was the provision of IT consultancy services.

Going concern

The company has considerable financial resources, the continued support from its parent undertaking, sufficient cash at bank and has long-term contracts with a number of customers across different industries. The directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS 102 as at 1st January 2014. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 25.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Sword Group SE, which can be obtained from sword-group.com/investors. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the company.
- (b) Disclosures in respect of financial instruments have not been presented.
- (c) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The entity has taken advantage of the exemption from preparing consolidated financial statements contained in Section 400 of the Companies Act 2006 on the basis that it is a subsidiary undertaking and its immediate parent undertaking is established under the law of an EEA State.

SWORD TECHNOLOGY SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2015

2. ACCOUNTING POLICIES *(continued)*

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. Key assumptions and other estimation uncertainty may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Judgements and estimates that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Useful economic lives of tangible fixed assets

Tangible fixed assets are depreciated to their estimated residual values over their estimated useful lives. The company exercises judgement to determine these useful lives and residual values.

Goodwill

The company establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses. The company makes an estimate when considering any potential impairment of goodwill.

Revenue recognition

Turnover represents the fair value of consideration received and receivable in respect of sales of software, professional services and support services provided to third parties in the normal course of business, net of discounts and Value Added Tax.

Revenues from support contracts and other periodically contracted services or products are recognised on a pro-rata basis over the term of the contract. Amounts invoiced but not recognised are accounted for within deferred income.

Revenues from consultancy services are normally recognised as services are performed, on a time and materials basis. Occasionally consultancy projects are sold on a fixed price basis. In these cases, the profitability of the project is measured on a monthly basis and any loss is recognised immediately in the profit and loss account. If the project to date is profitable then revenue is recognised to the extent that the contract is performed and the right to consideration has been earned.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

SWORD TECHNOLOGY SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2015

2. ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account. Non-monetary items that are measured in terms of historic cost in a foreign currency are not retranslated.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Goodwill

Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the company's interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business.

Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight-line basis over its useful life. Where a reliable estimate of the useful life of goodwill or intangible assets cannot be made, the life is presumed not to exceed five years.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill	-	10% straight line
Intellectual Property	-	33% straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

SWORD TECHNOLOGY SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2015

2. ACCOUNTING POLICIES *(continued)*

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold Land and Buildings	-	2% straight line on buildings
Fixtures and Fittings	-	15% straight line
Computer Equipment	-	30% straight line

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

Trade and other debtors

Trade and other debtors are initially recognised at the transaction price and thereafter stated at amortised cost using the effective interest method, less impairment losses for bad and doubtful debts except where the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings or current liabilities.

Trade and other creditors

Trade and other creditors are initially recognised at the transaction price and are thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the statement of comprehensive income over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

SWORD TECHNOLOGY SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2015

2. ACCOUNTING POLICIES *(continued)*

Related parties

For the purposes of these financial statements, a party is considered to be related to the company if:

- (i) the party has the ability, directly or indirectly, through one or more intermediaries, to control the company or exercise significant influence over the company in making financial and operating policy decisions, or has joint control over the company;
- (ii) the company and the party are subject to common control;
- (iii) the party is an associate of the company or a joint venture in which the company is a venturer;
- (iv) the party is a member of key management personnel of the company or the company's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals;
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the company or of any entity that is a related party of the company; or
- (vii) the party, or any member of a group of which it is part, provides key management personnel services to the company or its parent.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

3. TURNOVER

Turnover arises from:

	2015	2014
	£	£
Rendering of services	<u>4,405,372</u>	<u>4,589,773</u>

Overseas turnover amounted to 2.79% (2014: 2.07%) of the total turnover for the year.

SWORD TECHNOLOGY SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2015

4. OTHER OPERATING INCOME

	2015 £	2014 £
Other operating income	<u>29,291</u>	<u>–</u>

5. OPERATING PROFIT

Operating profit or loss is stated after charging:

	2015 £	2014 £
Amortisation of intangible assets	237,792	172,129
Depreciation of tangible assets	47,836	51,961
Loss on disposal of intangible assets	1,639,684	–
Foreign exchange differences	603	(84)
Defined contribution plans expense	25,743	22,351
Operating property lease charges	<u>218,186</u>	<u>213,879</u>

6. AUDITOR'S REMUNERATION

	2015 £	2014 £
Fees payable for the audit of the financial statements	<u>14,000</u>	<u>13,500</u>
Fees payable to the company's auditor and its associates for other services: Taxation compliance services	<u>1,500</u>	<u>1,500</u>

7. STAFF COSTS

The average number of persons employed by the company during the year, including the directors, amounted to:

	2015 No.	2014 No.
Administrative staff	30	35
Management staff	6	7
	<u>36</u>	<u>42</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2015 £	2014 £
Wages and salaries	1,973,476	1,656,862
Social security costs	223,162	184,587
Other pension costs	25,743	22,351
	<u>2,222,381</u>	<u>1,863,800</u>

8. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	2015 £	2014 £
Income from group undertakings	<u>16,300,000</u>	<u>435,978</u>

SWORD TECHNOLOGY SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2015

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £	2014 £
Other interest payable and similar charges	<u>214,040</u>	<u>—</u>

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

Major components of tax expense

	2015 £	2014 £
Current tax:		
UK current tax expense	90,641	122,521
Adjustments in respect of prior periods	—	3,422
Total current tax	<u>90,641</u>	<u>125,943</u>
Tax on profit on ordinary activities	<u>90,641</u>	<u>125,943</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2014: lower than) the standard rate of corporation tax in the UK of 20.25% (2014: 21.50%).

	2015 £	2014 £
Profit on ordinary activities before taxation	<u>12,777,383</u>	<u>860,057</u>
Profit on ordinary activities by rate of tax	2,587,420	184,912
Effect of expenses not deductible for tax purposes	760,485	32,712
Effect of capital allowances and depreciation	(5,142)	(1,819)
Under provision in prior year	—	3,422
UK dividend income not taxable	(3,300,750)	(93,735)
Withholding tax written off	—	451
Degrouping charge	<u>48,628</u>	<u>—</u>
Tax on profit on ordinary activities	<u>90,641</u>	<u>125,943</u>

11. DIVIDENDS

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2015 £	2014 £
Equity dividends on Ordinary shares	<u>16,300,000</u>	<u>150,000</u>

The results for the year have revealed that the company may have had insufficient reserves to have paid some of these dividends. Under company legislation the shareholder may therefore be called upon to repay the dividend in the future. However, at the time the dividend was voted, management accounts showed sufficient available reserves. On 25th April 2016 a capital reduction was completed and the deficit on reserves was eliminated (note 22). Post balance sheet date management accounts indicate continued profitability.

SWORD TECHNOLOGY SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2015

12. INTANGIBLE ASSETS

	Goodwill £	Intellectual Property £	Total £
Cost			
At 1st January 2015	2,565,991	102,324	2,668,315
Disposals	(2,565,991)	–	(2,565,991)
At 31st December 2015	–	102,324	102,324
Amortisation			
At 1st January 2015	688,515	102,324	790,839
Charge for the year	237,792	–	237,792
Disposals	(926,307)	–	(926,307)
At 31st December 2015	–	102,324	102,324
Carrying amount			
At 31st December 2015	–	–	–
At 31st December 2014	1,877,476	–	1,877,476

During the year the directors reviewed the useful life of the goodwill and concluded that it should be revised to 10 years with effect from 1st January 2014. The amortisation charge in the current year reflects this revision and also includes the effect of the revision on the prior year charge, which is not presented as prior year adjustment as it was deemed immaterial.

During the year the trade that was previously hived across was hived into a fellow subsidiary and the capitalised goodwill disposed of.

13. TANGIBLE ASSETS

	Freehold Land and Buildings £	Fixtures and fittings £	Computer Equipment £	Total £
Cost				
At 1 January 2015	117,100	38,394	187,207	342,701
Additions	–	–	2,864	2,864
Disposals	–	–	(62,235)	(62,235)
At 31 December 2015	117,100	38,394	127,836	283,330
Depreciation				
At 1 January 2015	82,184	35,253	134,264	251,701
Charge for the year	20,255	1,605	25,976	47,836
Disposals	–	–	(52,383)	(52,383)
At 31 December 2015	102,439	36,858	107,857	247,154
Carrying amount				
At 31 December 2015	14,661	1,536	19,979	36,176
At 31 December 2014	34,916	3,141	52,943	91,000

SWORD TECHNOLOGY SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2015

14. INVESTMENTS

	Shares in group undertakings £
Cost	
At 1 Jan 2015 and 31 Dec 2015	<u>40,309</u>
Impairment	
At 1 Jan 2015 and 31 Dec 2015	<u>-</u>
Carrying amount	
At 31st December 2015	<u>40,309</u>

The company holds or has beneficial interest in 20% or more of the share capital of the following principal companies:

	Country of registration or incorporation	Class of share	Proportion held	Business
Sword Global (India) Private Limited	India	Ordinary	100%	Software and consultancy
Sword General Partner Limited	England and Wales	Ordinary	100%	Dormant company

The company is not required to disclose the aggregate capital and reserves, and the profit and loss account under the Companies Act 2006 for the principal subsidiary undertakings as it is exempt by virtue of Section 400 of the Companies Act 2006 from preparing group accounts as it is part of a larger group preparing consolidated accounts. The information in the financial statements are for the company only.

15. DEBTORS

	2015 £	2014 £
Trade debtors	528,200	519,285
Amounts owed by group undertakings	6,354,215	22,384,392
Prepayments and accrued income	325,193	638,135
Other debtors	48,400	2,500
	<u>7,256,008</u>	<u>23,544,312</u>

The debtors above include the following amounts falling due after more than one year:

	2015 £	2014 £
Amounts owed by group undertakings	<u>6,211,836</u>	<u>13,265,743</u>

SWORD TECHNOLOGY SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2015

16. CREDITORS: amounts falling due within one year

	2015	2014
	£	£
Trade creditors	63,868	17,025
Amounts owed to group undertakings	214,459	20,294
Accruals and deferred income	584,557	826,755
Corporation tax	48,071	98,070
Social security and other taxes	214,736	236,786
Other creditors	5,956	—
	<u>1,131,647</u>	<u>1,198,930</u>

17. CREDITORS: amounts falling due after more than one year

	2015	2014
	£	£
Amounts owed to group undertakings	<u>85,532</u>	<u>14,332,312</u>

18. EMPLOYEE BENEFITS

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £25,743 (2014: £22,351).

19. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	2015		2014	
	No.	£	No.	£
Ordinary shares of £1 each	<u>10,000,100</u>	<u>10,000,100</u>	<u>10,000,100</u>	<u>10,000,100</u>

20. RESERVES

The profit and loss account includes all current and prior retained earnings and accumulated losses.

21. OPERATING LEASES

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2015	2014
	£	£
Not later than 1 year	167,000	158,000
Later than 1 year and not later than 5 years	668,000	668,000
Later than 5 years	299,208	466,208
	<u>1,134,208</u>	<u>1,292,208</u>

22. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 25th April 2016, the company's share capital was reduced from £10,000,100 to £200,000 in order to eliminate retained losses and create distributable reserves.

SWORD TECHNOLOGY SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2015

23. RELATED PARTY TRANSACTIONS

Amounts due to and from group undertakings at 31st December 2015 are aggregated as permitted by FRS 102 and shown separately in debtors and creditors.

In accordance with FRS 102 paragraph 33.1A, exemption is taken not to disclose transactions in the year between wholly owned group undertakings.

During the year the aggregate value of transactions with other group undertakings were sales of £110,465 (2014: £109,796), recharges of expenses and purchases of £138,843 (2014: £282,117) and interest of £3,126 (2014: £165,663).

In addition to the above, on 1st December 2015 a loan of £1.65m was made to Sword Charteris Limited to provide working capital. This amount was waived by a deed of waiver on the same day and has been expensed in the year.

24. CONTROLLING PARTY

The company's immediate parent undertaking is Sword Soft Limited and its ultimate controlling party is Sword Group SE. Sword Group SE produces financial statements available for public use.

25. TRANSITION TO FRS 102

These are the first financial statements that comply with FRS 102. The company transitioned to FRS 102 on 1st January 2014.

No transitional adjustments were required in equity or profit or loss for the year.