

# Financial Statements

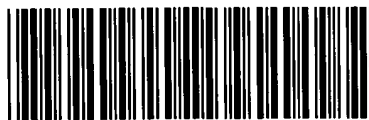
## ECI Software Solutions Limited

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For the Year Ended 31 December 2016

Registered number: 04162072

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## Company Information

|                                    |   |
|------------------------------------|---|
| <b>Directors</b>                   | Mr N Gradwell<br>Mr G P Kushner<br>Mr D Jones   |
| <b>Secretary</b>                   | Mr D Jones  |
| <b>Company registration number</b> | 04162072  |
| <b>Registered office</b>           | Newland House<br>Weaver Road<br>Lincoln<br>England<br>LN6 3QN   |
| <b>Independent auditor</b>         | Grant Thornton UK LLP<br>Chartered Accountants & Statutory Auditor<br>101 Cambridge Science Park<br>Milton Road<br>Cambridge<br>Cambridgeshire<br>CB4 0FY |
| <b>Bankers</b>                     | JP Morgan Chase<br>1 Chaseside<br>Bournemouth<br>BH7 7DA  |

## Contents

|  | Page          |
|--|---------------|
| <b>Strategic report</b>                          | <b>1 - 2</b>  |
| <b>Directors' report</b>                         | <b>3 - 4</b>  |
| <b>Independent auditor's report</b>              | <b>5 - 6</b>  |
| <b>Statement of income and retained earnings</b> | <b>7</b>      |
| <b>Balance sheet</b>                             | <b>8</b>      |
| <b>Notes to the financial statements</b>         | <b>9 - 24</b> |

# Strategic Report

For the Year Ended 31 December 2016

## Company information and principal activity

ECI Software Solutions Limited is a limited company incorporated in England and Wales.

The company is principally engaged in the development and supply of computerised business systems. Against a challenging economic backdrop the directors are satisfied with the results for the year.

## Principal risks and uncertainties

The company recognises that some of the main risks and uncertainties are as follows:

- Global economic conditions that particularly impact the company's customers, which are mitigated by a geographically diverse customer base.
- Competitive pressures, which the company addresses by investment in development.
- Consolidation in the customer base
- Dependence on one key industry vertical, which the company is addressing by diversifying into other industries.

## Financial key performance indicators

The company reports on a number of key performance indicators (KPIs) in its monthly management accounts, the main focus being on turnover, gross margins and overheads costs.

In 2016 some of these KPIs were as follows:

- Turnover of £5.9m (2015: £5.5m)
- Gross margin of 94% (2015: 93%)
- Overhead costs of £5.5m (2015: £5.2m)

## Financial risk management objectives and policies

The company uses various financial instruments, mainly loans from group companies but also cash and various items, such as trade debtors and trade creditors, that arise directly from its operations. The main purpose of these financial instruments is to provide working capital for the company's operations. The existence of these financial instruments exposes the company to a number of financial risks, primarily currency risk.

The company finances its operations through a mixture of retained profits and long term capital contributions from its parent company. The company's exposure to interest rate fluctuations is mitigated by the intercompany funding.

The company is exposed to transaction foreign exchange risk. Transaction exposures, where possible, are hedged through the use of foreign currency bank accounts.

**ECI Software Solutions Limited**

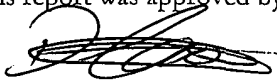
## **Strategic Report**

**For the Year Ended 31 December 2016**

### **Future developments**

The company continues to invest in development in order to extend its product range and quality. In association with other companies in the wider group it is investing in the development of new products to address additional vertical market opportunities in Europe.

This report was approved by the board on 30 June 2017 and signed on its behalf.



**Mr D Jones**  
Director

## Directors' Report

For the Year Ended 31 December 2016

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

### Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

### Results and dividends

The loss for the year, after taxation, amounted to £142,394 (2015 - loss £208,225)  
The directors do not propose to pay any dividends (2015 - £nil).

### Directors

The directors who served during the year were:

Mr N Gradwell  
Mr G P Kushner  
Mr D Jones

### Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**ECI Software Solutions Limited**

## **Directors' Report (continued)**

**For the Year Ended 31 December 2016**

### **Auditor**

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 30 June 2017 and signed on its behalf.

A handwritten signature in black ink, appearing to be 'D Jones', written over a horizontal line.

Mr D Jones  
Director

## Independent Auditor's Report to the Members of ECI Software Solutions Limited

We have audited the financial statements of ECI Software Solutions Limited for the year ended 31 December 2016, which comprise the Statement of Income and Retained Earnings, the Balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is the applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), (United Kingdom Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

### **Respective responsibilities of Directors and Auditor**

As explained more fully in the Directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on 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 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.





## Independent Auditor's Report to the Members of ECI Software Solutions Limited (continued)

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

In our opinion, based on the work undertaken in the course of the audit:

- 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 those financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report under the Companies Act 2006**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report.

### **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.

A handwritten signature in black ink, appearing to read "Paul Brown".

Paul Brown (Senior statutory auditor)

for and on behalf of

**Grant Thornton UK LLP**

Chartered Accountants  
Statutory Auditor

101 Cambridge Science Park  
Milton Road  
Cambridge  
Cambridgeshire  
CB4 0FY

6 July 2017

# Statement of Income and Retained Earnings

For the Year Ended 31 December 2016

|   | Note | 2016<br>£        | 2015<br>£        |
|---|------|------------------|------------------|
| Turnover  | 3    | 5,881,287        | 5,445,598        |
| Cost of sales                                   |      | (374,727)        | (365,703)        |
| <b>Gross profit</b>                             |      | <b>5,506,560</b> | <b>5,079,895</b> |
| Administrative expenses                         |      | (5,613,183)      | (5,181,246)      |
| Other operating income                          | 4    | 104,400          | 97,200           |
| <b>Operating loss</b>                           | 5    | <b>(2,223)</b>   | <b>(4,151)</b>   |
| Interest receivable and similar income          |      | 1,259            | 212              |
| Interest payable and expenses                   | 8    | (141,198)        | (204,235)        |
| <b>Loss before tax</b>                          |      | <b>(142,162)</b> | <b>(208,174)</b> |
| Tax on loss                                     | 9    | (232)            | (51)             |
| <b>Loss after tax</b>                           |      | <b>(142,394)</b> | <b>(208,225)</b> |
|   |      |                  |                  |
| Retained earnings at the beginning of the year  |      | 599,672          | 807,897          |
| Loss for the year                               |      | (142,394)        | (208,225)        |
| <b>Retained earnings at the end of the year</b> |      | <b>457,278</b>   | <b>599,672</b>   |

The only movement in reserves was the loss for the year and therefore a separate Statement of Changes in Equity has not been presented.

The notes on pages 9 to 24 form part of these financial statements.

## Balance Sheet

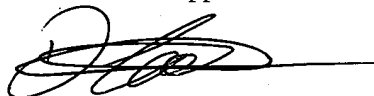
As at 31 December 2016

|   | Note | 2016<br>£               | 2015<br>£               |
|---|------|-------------------------|-------------------------|
| <b>Fixed assets</b>                                     |      |                         |                         |
| Intangible assets                                       | 10   | 2,875,775               | 3,665,429               |
| Tangible assets   | 11   | 414,997                 | 357,414                 |
|   |      | <u>3,290,772</u>        | <u>4,022,843</u>        |
| <b>Current assets</b>                                   |      |                         |                         |
| Stocks  | 12   | 5,658                   | 5,679                   |
| Debtors: amounts falling due within one year            | 13   | 1,388,016               | 1,819,596               |
| Cash at bank and in hand                                | 14   | 621,093                 | 603,313                 |
|   |      | <u>2,014,767</u>        | <u>2,428,588</u>        |
| Creditors: amounts falling due within one year          | 15   | (1,830,835)             | (2,245,476)             |
| <b>Net current assets</b>                               |      | <u>183,932</u>          | <u>183,112</u>          |
| <b>Total assets less current liabilities</b>            |      | <u>3,474,704</u>        | <u>4,205,955</u>        |
| Creditors: amounts falling due after more than one year | 16   | (1,459,932)             | (2,048,789)             |
| <b>Net assets</b>                                       |      | <u><u>2,014,772</u></u> | <u><u>2,157,166</u></u> |
| <b>Capital and reserves</b>                             |      |                         |                         |
| Called up share capital                                 | 19   | 352                     | 352                     |
| Share premium account                                   | 18   | 236,264                 | 236,264                 |
| Other reserves  | 18   | 1,320,878               | 1,320,878               |
| Profit and loss account                                 | 18   | 457,278                 | 599,672                 |
|   |      | <u>2,014,772</u>        | <u>2,157,166</u>        |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 June 2017.

Mr D Jones

Director



The notes on pages 9 to 24 form part of these financial statements.

# Notes to the Financial Statements

For the Year Ended 31 December 2016

## 1. Accounting policies

### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

### 1.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);  
the requirements of Section 7 Statement of Cash Flows;  
the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);

This information is included in the consolidated financial statements of ECI Acquisition Holdings, Inc as at 31 December 2016 and these financial statements may be obtained from 4400 Alliance Gateway Freeway, Suite 154, Fort Worth, TX, 76177. This is the only group in which the results of the company are consolidated.

### 1.3 Going concern

Despite reporting a loss in the current year, the company has sufficient financial resources together with a large long-standing customer base. The company also has the ongoing support of its parent company, ECI Acquisition Holdings Limited. As a consequence the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual accounts.

# Notes to the Financial Statements

For the Year Ended 31 December 2016

## 1. Accounting policies (continued)

### 1.4 Turnover

#### Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

#### Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transactions can be measured reliably.

#### Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

Consistent with the above, revenue from key revenue streams are recognised as follows:

Software licence revenue is recognised when the licence to use related software is issued. Maintenance and service contracts are recognised over the period to which they relate from the date at which the software has been accepted by the ultimate end user.

# Notes to the Financial Statements

For the Year Ended 31 December 2016

## 1. Accounting policies (continued)

### 1.5 Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Software development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- The technical feasibility of completing the software so that it will be available for use or sale.
- The intention to complete the software and use or sell it.
- The ability to use the software or to sell it.
- How the software will generate probably future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the software.
- The ability to measure reliably the expenditure attributable to the software during its development.

Amortisation is provided on the following bases:

Developed technology and customer relations: 6 and 11 years respectively

Goodwill: 11 years

Computer software: 33%

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

### 1.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

|                     |             |
|---------------------|-------------|
| Fixtures & fittings | - 10% - 33% |
| Office equipment    | - 15% - 33% |
| Computer equipment  | - 25% - 33% |

## Notes to the Financial Statements

For the Year Ended 31 December 2016

### 1. Accounting policies (continued)

#### 1.7 Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the Statement of Income and Retained Earnings.

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Income and Retained Earnings.

#### 1.8 Stocks

Stocks are valued at the lower cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

#### 1.9 Operating lease agreements

Rentals payable under operating leases are charged to the Statement of Income and Retained Earnings on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the annual rent expense equal to amounts owed to the lessor.

#### 1.10 Debtors

Short term debtors are measured at transaction price, less any impairment.

#### 1.11 Taxation

Tax is recognised in the Statement of Income and Retained Earnings, except that a change attributable to an item of income and expense recognised as Other Comprehensive Income or to an item recognised directly in equity is also recognised in Other Comprehensive Income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

#### 1.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

# Notes to the Financial Statements

For the Year Ended 31 December 2016

## 1. Accounting policies (continued)

### 1.13 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans from group undertakings.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Income and Retained Earnings.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 1.14 Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

### 1.15 Provision for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Income and Retained Earnings in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.



# Notes to the Financial Statements

For the Year Ended 31 December 2016

## 1. Accounting policies (continued)

### 1.16 Foreign currency translation

#### Functional and presentation currency

The Company's functional and presentational currency is GBP.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Income and Retained Earnings.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Income and Retained Earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Income and Retained Earnings within 'Other Operating Income'.

### 1.17 Pensions

#### Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Income and Retained Earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

# Notes to the Financial Statements

For the Year Ended 31 December 2016

## 2. Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates which are based on managements best knowledge of the relevant facts and circumstances, having regard to prior experience. The items in the financial statements where these judgements and estimates have been made include the timing of the recognition of revenue, in particular in respect of maintenance revenue and the going concern basis adopted in the preparation of these financial statements.

Judgements in applying accounting policies:

- the directors must judge whether all of the conditions required for revenues to be recognised in the income statement of the financial year, have been met;

Sources of estimation uncertainty:

- depreciation and amortisation rates are based on estimates of the useful lives and residual values of the assets involved
- trade debtors balances are only impaired when objective evidence of impairment is apparent

## 3. Turnover

An analysis of turnover by class of business is as follows:

|                       | 2016<br>£        | 2015<br>£        |
|-----------------------|------------------|------------------|
| Sale of goods         | 50,149           | 332,272          |
| Rendering of services | 5,831,138        | 5,113,326        |
|                       | <u>5,881,287</u> | <u>5,445,598</u> |

Analysis of turnover by country of destination:

|                   | 2016<br>£        | 2015<br>£        |
|-------------------|------------------|------------------|
| United Kingdom    | 5,354,104        | 4,809,867        |
| Rest of the world | 527,183          | 635,731          |
|                   | <u>5,881,287</u> | <u>5,445,598</u> |

## 4. Other operating income

|                              | 2016<br>£      | 2015<br>£     |
|------------------------------|----------------|---------------|
| Management charge receivable | 104,400        | 97,200        |
|                              | <u>104,400</u> | <u>97,200</u> |

# Notes to the Financial Statements

For the Year Ended 31 December 2016

## 5. Operating loss

The operating loss is stated after charging:

|   | 2016              | 2015              |
|---|-------------------|-------------------|
|   | £                 | £                 |
| Depreciation of tangible fixed assets                 | 216,071           | 161,270           |
| Amortisation of intangible assets, including goodwill | 792,799           | 808,210           |
| Exchange differences                                  | (9,010)           | 57,436            |
| Other operating lease rentals                         | 89,818            | 84,983            |
| Defined contribution pension cost                     | 43,041            | 37,205            |
|   | <u>          </u> | <u>          </u> |

## 6. Employees

Staff costs, including directors' remuneration, were as follows:

|                                     | 2016              | 2015              |
|-------------------------------------|-------------------|-------------------|
|                                     | £                 | £                 |
| Wages and salaries                  | 2,735,000         | 2,342,642         |
| Social security costs               | 278,054           | 241,898           |
| Cost of defined contribution scheme | 43,041            | 37,205            |
|                                     | <u>          </u> | <u>          </u> |
|                                     | <u>3,056,095</u>  | <u>2,621,745</u>  |

The average monthly number of employees, including the directors, during the year was as follows:

| 2016      | 2015      |
|-----------|-----------|
| No.       | No.       |
| <u>84</u> | <u>77</u> |

# Notes to the Financial Statements

For the Year Ended 31 December 2016

## 7. Directors' remuneration

|   | 2016<br>£      | 2015<br>£     |
|---|----------------|---------------|
| Directors' emoluments   | 230,899        | 74,887        |
| Company contributions to defined contribution pension schemes | 5,597          | 1,733         |
|   | <u>236,496</u> | <u>76,620</u> |

During the year retirement benefits were accruing to 1 directors (2015 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £179,458 (2015 - £29,764).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £4,097 (2015 - £713).

## 8. Interest payable and similar charges

|  | 2016<br>£      | 2015<br>£      |
|--|----------------|----------------|
| Interest payable to Group undertakings | 141,198        | 204,235        |
|  | <u>141,198</u> | <u>204,235</u> |

## Notes to the Financial Statements

For the Year Ended 31 December 2016

**9. Taxation**

|  | 2016<br>£  | 2015<br>£ |
|--|------------|-----------|
| <b>Corporation tax</b>                     |            |           |
| Current tax on profits for the year        | 232        | -         |
| Adjustments in respect of previous periods | -          | 51        |
| <b>Total current tax</b>                   | <u>232</u> | <u>51</u> |

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20%). The differences are explained below:

|  | 2016<br>£        | 2015<br>£        |
|--|------------------|------------------|
| Loss on ordinary activities before tax   | <u>(142,162)</u> | <u>(208,174)</u> |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20%) | (26,683)         | (41,635)         |
| <b>Effects of:</b>   |                  |                  |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment                | 154              | 195              |
| Capital allowances for year in excess of depreciation  | 41,747           | 55,594           |
| Other permanent differences  | -                | 118              |
| Adjustment to losses   | (1,750)          | (13,717)         |
| Adjustments to tax charge in respect of prior periods  | -                | 51               |
| Adjust closing deferred tax to average rate of 20%   | 19,382           | 9,378            |
| Adjust opening deferred tax to average rate of 20%   | (14,245)         | -                |
| Deferred tax not recognised  | (18,373)         | (9,933)          |
| <b>Total tax charge for the year</b>   | <u>232</u>       | <u>51</u>        |

**Factors that may affect future tax charges**

The company has approximately £756k (2015 - £792k) of trading losses available to relieve against future profits.

# Notes to the Financial Statements

For the Year Ended 31 December 2016

## 10. Intangible assets

|                       | Developed<br>technology<br>& customer<br>relationships<br>£ | Computer<br>software<br>£ | Goodwill<br>£ | Total<br>£ |
|-----------------------|---|---------------------------|---------------|------------|
| <b>Cost</b>           |   |                           |               |            |
| At 1 January 2016     | 3,251,658   | 134,871                   | 5,575,861     | 8,962,390  |
| Additions             | -   | 3,145                     | -             | 3,145      |
| At 31 December 2016   | 3,251,658   | 138,016                   | 5,575,861     | 8,965,535  |
| <b>Amortisation</b>   |   |                           |               |            |
| At 1 January 2016     | 2,408,540   | 110,504                   | 2,777,917     | 5,296,961  |
| Charge for the year   | 272,104   | 13,799                    | 506,896       | 792,799    |
| At 31 December 2016   | 2,680,644   | 124,303                   | 3,284,813     | 6,089,760  |
| <b>Net book value</b> |   |                           |               |            |
| At 31 December 2016   | 571,014   | 13,713                    | 2,291,048     | 2,875,775  |
| At 31 December 2015   | 843,118   | 24,367                    | 2,797,944     | 3,665,429  |

## Notes to the Financial Statements

For the Year Ended 31 December 2016

**11. Tangible fixed assets**

|                                       | Fixtures &<br>fittings<br>£ | Office<br>equipment<br>£ | Computer<br>equipment<br>£ | Total<br>£ |
|---------------------------------------|-----------------------------|--------------------------|----------------------------|------------|
| <b>Cost</b>                           |                             |                          |                            |            |
| At 1 January 2016                     | 240,055                     | 11,481                   | 576,072                    | 827,608    |
| Additions                             | 8,912                       | -                        | 264,742                    | 273,654    |
| At 31 December 2016                   | 248,967                     | 11,481                   | 840,814                    | 1,101,262  |
| <b>Depreciation</b>                   |                             |                          |                            |            |
| At 1 January 2016                     | 105,701                     | 9,231                    | 355,262                    | 470,194    |
| Charge for the period on owned assets | 22,863                      | 2,250                    | 190,958                    | 216,071    |
| At 31 December 2016                   | 128,564                     | 11,481                   | 546,220                    | 686,265    |
| <b>Net book value</b>                 |                             |                          |                            |            |
| At 31 December 2016                   | 120,403                     | -                        | 294,594                    | 414,997    |
| At 31 December 2015                   | 134,354                     | 2,250                    | 220,810                    | 357,414    |

**12. Stocks**

|                                     | 2016<br>£ | 2015<br>£ |
|-------------------------------------|-----------|-----------|
| Finished goods and goods for resale | 5,658     | 5,679     |
|                                     | 5,658     | 5,679     |

Stock recognised in cost of sales during the year as an expenses was £374,727 (2015: £365,703).

# Notes to the Financial Statements

For the Year Ended 31 December 2016

## 13. Debtors

|                                    | 2016<br>£        | 2015<br>£        |
|------------------------------------|------------------|------------------|
| Trade debtors                      | 1,058,317        | 1,347,650        |
| Amounts owed by group undertakings | 229,598          | 369,091          |
| Other debtors                      | 9,074            | 4,273            |
| Prepayments and accrued income     | 91,027           | 98,582           |
|                                    | <u>1,388,016</u> | <u>1,819,596</u> |

An impairment loss of £109,396 (2015: £35,048) was recognised against trade debtors.

## 14. Cash and cash equivalents

|                          | 2016<br>£      | 2015<br>£      |
|--------------------------|----------------|----------------|
| Cash at bank and in hand | 621,093        | 603,313        |
|                          | <u>621,093</u> | <u>603,313</u> |

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

|                                    | 2016<br>£        | 2015<br>£        |
|------------------------------------|------------------|------------------|
| Trade creditors                    | 82,801           | 116,371          |
| Amounts owed to group undertakings | 617,754          | 120,762          |
| Corporation tax                    | 232              | -                |
| Other taxation and social security | 284,783          | 362,567          |
| Other creditors                    | -                | 27,781           |
| Accruals and deferred income       | 845,265          | 1,617,995        |
|                                    | <u>1,830,835</u> | <u>2,245,476</u> |



# Notes to the Financial Statements

For the Year Ended 31 December 2016

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

|                                       | 2016<br>£        | 2015<br>£        |
|---------------------------------------|------------------|------------------|
| Loan notes owed to group undertakings | 1,459,932        | 2,048,789        |
|                                       | <u>1,459,932</u> | <u>2,048,789</u> |

### Secured loans

The loan notes were issued to BlueSky Systems Solutions Limited as partial consideration for the company's trade and assets in 2013. During 2014 BlueSky Systems Solutions Limited was liquidated and the loan notes are now held by ECI Software Solutions Europe Holdings Limited. The loan notes accrue interest at 8% per annum, payable bi-annually on 30 June and 31 December. The principal amount is payable in its entirety no later than 31 December 2018.

## 17. Financial instruments

|  | 2016<br>£          | 2015<br>£          |
|--|--------------------|--------------------|
| <b>Financial assets</b>                          |                    |                    |
| Financial assets measured at amortised cost      | 1,918,082          | 2,324,327          |
|  | <u>1,918,082</u>   | <u>2,324,327</u>   |
| <b>Financial liabilities</b>                     |                    |                    |
| Financial liabilities measured at amortised cost | (2,160,482)        | (2,313,703)        |
|  | <u>(2,160,482)</u> | <u>(2,313,703)</u> |

Financial assets measured at amortised cost comprise cash, trade and other debtors and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade and other creditors and amounts owed to group undertakings

## Notes to the Financial Statements

For the Year Ended 31 December 2016

### 18. Reserves

#### Share premium account

Share premium account includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

#### Other reserves

Other reserves represent capital contributions from the ultimate parent undertaking.

#### Profit & loss account

The Profit and loss account includes all current and prior period retained profits and losses.

### 19. Share capital

|   | 2016<br>£  | 2015<br>£  |
|---|------------|------------|
| <b>Allotted, called up and fully paid</b> |            |            |
| 352 Ordinary shares shares of £1 each     | <u>352</u> | <u>352</u> |

Called-up share capital represents the nominal value of shares that have been issued.

# Notes to the Financial Statements

For the Year Ended 31 December 2016

## 20. Commitments under operating leases

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

|  | 2016<br>£      | 2015<br>£      |
|--|----------------|----------------|
| Not later than 1 year                        | 92,880         | 92,880         |
| Later than 1 year and not later than 5 years | 177,365        | 270,626        |
|  | <u>270,245</u> | <u>363,506</u> |

## 21. Transactions with related parties

As a 100% owned subsidiary of ECI Acquisition Holdings Inc, a company incorporated in the USA, the company is exempt from the requirements of FRS 102 to disclose transactions with other wholly owned members of the group headed by ECI Acquisitions Holdings Inc.

No compensation was paid to key management personnel other than directors (see note 7).

## 22. Ultimate parent undertaking and controlling party

100% of the issued share capital of the company is owned by ECI Software Solutions Europe Holdings Ltd, a company registered in England and Wales. The directors consider this to be the immediate parent undertaking.

At 31 December 2016 the ultimate parent company was ECI Acquisition Holdings Inc, a company incorporated in the USA. Copies of the accounts of the company are available from 4400 Alliance Gateway Freeway, Suite 154, For Worth, TX, 76177, and this is the only group in which the results of the company are consolidated.

The company considers the ultimate controlling party to be Carlyle Investment Management LLC, a company incorporated in the USA, by virtue of their shareholding in ECI Acquisition Holdings, Inc.

## Detailed profit and loss account

For the Year Ended 31 December 2016

|                                      | Note | 2016<br>£        | 2015<br>£        |
|--------------------------------------|------|------------------|------------------|
| Turnover                             |      | 5,881,287        | 5,445,598        |
| Cost of sales                        |      | (374,727)        | (365,703)        |
| <b>Gross profit</b>                  |      | <b>5,506,560</b> | <b>5,079,895</b> |
| <b>Gross profit %</b>                |      | <b>93.6 %</b>    | <b>93.3 %</b>    |
| Other operating income               |      | 104,400          | 97,200           |
| <b>Less: overheads</b>               |      |                  |                  |
| Administration expenses              |      | (5,613,183)      | (5,181,246)      |
| <b>Operating loss</b>                |      | <b>(2,223)</b>   | <b>(4,151)</b>   |
| Interest receivable                  |      | 1,259            | 212              |
| Interest payable                     |      | (141,198)        | (204,235)        |
| Tax on profit on ordinary activities |      | (232)            | (51)             |
| <b>Loss for the year</b>             |      | <b>(142,394)</b> | <b>(208,225)</b> |

## Schedule to the Detailed Accounts

For the Year Ended 31 December 2016

|                                       | 2016<br>£        | 2015<br>£        |
|---------------------------------------|------------------|------------------|
| <b>Turnover</b>                       |                  |                  |
| Sale of goods - UK                    | 49,684           | 316,153          |
| Rendering of services - UK            | 5,304,420        | 4,493,714        |
| Sale of goods - Rest of world         | 465              | 16,119           |
| Rendering of services - Rest of world | 526,718          | 619,612          |
|                                       | <u>5,881,287</u> | <u>5,445,598</u> |
|                                       |                  |                  |
|                                       | 2016<br>£        | 2015<br>£        |
| <b>Other operating income</b>         |                  |                  |
| Other operating income                | <u>104,400</u>   | <u>97,200</u>    |
|                                       | <u>104,400</u>   | <u>97,200</u>    |

## Schedule to the Detailed Accounts

For the Year Ended 31 December 2016

### Administration expenses

|  | 2016<br>£        | 2015<br>£        |
|--|------------------|------------------|
| <b>Administration expenses</b>                         |                  |                  |
| Directors salaries                                     | 230,899          | 74,887           |
| Directors pension costs - defined contribution schemes | 5,597            | 1,733            |
| Staff salaries   | 2,504,101        | 2,267,755        |
| Staff private health insurance                         | 47,595           | 42,710           |
| Staff national insurance                               | 278,054          | 241,898          |
| Staff pension costs - defined contribution schemes     | 37,444           | 35,472           |
| Staff training   | 1,797            | 3,418            |
| Motor running costs                                    | 113,558          | 102,206          |
| Entertainment  | 768              | 975              |
| Hotels, travel and subsistence                         | 81,501           | 67,141           |
| Restructuring costs                                    | 85,275           | 5,417            |
| Postage  | 894              | 1,112            |
| Telephone and fax                                      | 83,963           | 79,245           |
| Computer costs   | 3,325            | 3,546            |
| General office expenses                                | 12,329           | 9,895            |
| Advertising and promotion                              | 125,386          | 164,077          |
| Trade subscriptions                                    | 9,806            | 5,241            |
| Charity donations                                      | 100              | 588              |
| Legal and professional                                 | 38,156           | 27,512           |
| Accountancy fees                                       | 54,465           | 39,341           |
| Bank charges   | 10,299           | 9,710            |
| Bad debts  | 157,672          | 34,440           |
| Difference on foreign exchange                         | (9,010)          | 57,436           |
| Sundry expenses  | 65,506           | 198,492          |
| Rent - operating leases                                | 89,818           | 84,983           |
| Light and heat   | 72,066           | 75,914           |
| Insurances   | 4,607            | 4,365            |
| Repairs and maintenance                                | 75,872           | 69,115           |
| Sundry establishment expenses                          | 413,724          | 503,150          |
| Depreciation - computer equipment                      | 190,958          | 134,825          |
| Depreciation - other fixed assets                      | 13,800           | 29,496           |
| Depreciation - fixtures and fittings                   | 25,113           | 26,151           |
| Amortisation - intangible fixed assets                 | 779,000          | 779,000          |
| Intercompany bad debt write off                        | 8,745            | -                |
|  | <b>5,613,183</b> | <b>5,181,246</b> |

## Schedule to the Detailed Accounts

For the Year Ended 31 December 2016

|                                 | 2016<br>£      | 2015<br>£      |
|---------------------------------|----------------|----------------|
| <b>Interest receivable</b>      |                |                |
| Bank interest receivable        | 1,259          | 212            |
|                                 | <u>1,259</u>   | <u>212</u>     |
|                                 |                |                |
|                                 | 2016<br>£      | 2015<br>£      |
| <b>Interest payable</b>         |                |                |
| Bank overdraft interest payable | (141,198)      | (204,235)      |
|                                 | <u>141,198</u> | <u>204,235</u> |