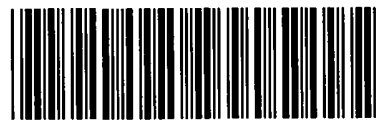


**SERIF (EUROPE) LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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**SERIF (EUROPE) LIMITED**

**COMPANY INFORMATION**

**Directors**

G Bates  
J Bryce  
A Hewson

**Company secretary**

G Bates

**Registered number**

02117968

**Registered office**

Unit 12  
Wilford Industrial Estate  
Nottingham  
NG11 7EP

**Independent Auditors**

PKF Cooper Parry Group Limited  
Chartered Accountants & Statutory Auditors  
Sky View  
Argosy Road  
East Midlands Airport  
Castle Donington  
Derby  
DE74 2SA

# **SERIF (EUROPE) LIMITED**

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## **SERIF (EUROPE) LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **Introduction**

The principal activity of the company is the supply and development of computer software and the supply of hardware and other products.

#### **Business review**

As a result of the continuing challenging economic environment and a deliberate move away from sales channels that became increasingly marginal, the company saw a decrease in revenues to £9.8m (2015: £11.8m) while operating profit in 2016 decreased by 72% to £0.6m (2015: £2.2m).

Shareholder funds were £4.2m at the year end with cash balances of £2.8m (2015: £1.9m) with no borrowings.

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

Ongoing changes in the way consumers buy software and the devices they use it on mean that the company's product range and use of new sales channels has to evolve in line with this. The company is well placed to innovate and to be flexible in its use of different sales methods and carefully monitors performance and trends in all areas.

#### **Financial key performance indicators**

We consider our key financial performance indicators are those which communicate the financial performance and strength of the company as a whole, these being turnover, gross margin and operating profit.

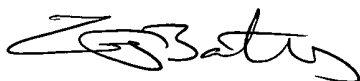
#### **Research and development**

The company continues to develop its core product range and new products to meet the increasing functionality and versatility its customer's desire. Research and development expenditure is written off in the period in which it is incurred.

#### **Future developments**

The current year has begun very well with prospects for updated and new products, along with the development of existing and new sales channels, looking positive. The focus of new product development will continue to be on the company's highly acclaimed Affinity range which is now available to both Windows and Apple users.

This report was approved by the board on 19 MAY 2017 and signed on its behalf.



**G Bates**  
Director

## **SERIF (EUROPE) LIMITED**

### **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 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.

#### **Results and dividends**

The profit for the year, after taxation, amounted to £723,871 (2015:£2,353,256).

During the year the company paid dividends of £1,586,372 (2015: £2,943,199). The directors do not recommend the payment of a final dividend.

#### **Directors**

The directors who served during the year were:

G Bates  
J Bryce  
A Hewson

**SERIF (EUROPE) LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**Disclosure of information to auditors**

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 auditors are 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 auditors are aware of that information.

This report was approved by the board on *19 MAY 2017* and signed on its behalf.



**G Bates**  
Director

## **SERIF (EUROPE) LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SERIF (EUROPE) LIMITED**

We have audited the financial statements of Serif (Europe) Limited for the year ended 31 December 2016, set out on pages 7 to 25. 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 Financial Reporting Standard 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 Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the directors' responsibilities statement, 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 Financial Reporting Council'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 31 December 2016 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.

## **SERIF (EUROPE) LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SERIF (EUROPE) LIMITED (CONTINUED)**

#### **Opinion on other matter 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 the financial statements; and
- the strategic report and the directors report have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the group and parent 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.



**SERIF (EUROPE) LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SERIF (EUROPE) LIMITED (CONTINUED)**

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

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

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

*PKF Cooper Parry Group Limited*

Richard Jones (Senior Statutory Auditor)

for and on behalf of

**PKF Cooper Parry Group Limited**

Chartered Accountants & Statutory Auditors

Sky View  
Argosy Road  
East Midlands Airport  
Castle Donington  
Derby  
DE74 2SA

Date: *6th June 2017*

**SERIF (EUROPE) LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £	2015 £
<b>Turnover</b>	1.3,3	9,752,786	11,764,365
Cost of sales		<u>(1,509,847)</u>	<u>(2,405,707)</u>
<b>Gross profit</b>		8,242,939	9,358,658
Administrative expenses		<u>(7,661,045)</u>	<u>(7,079,193)</u>
<b>Operating profit</b>	4	581,894	2,279,465
Interest receivable and similar income		519	884
Interest payable and similar charges	7	<u>-</u>	<u>(286,253)</u>
<b>Profit on ordinary activities before taxation</b>		582,413	1,994,096
Taxation on profit on ordinary activities	8	<u>141,458</u>	<u>359,160</u>
<b>Profit for the financial year</b>		<u><u>723,871</u></u>	<u><u>2,353,256</u></u>

There were no recognised gains and losses for 2016 or 2015 other than those included in the profit and loss account.

The notes on pages 10 to 25 form part of these financial statements..

**SERIF (EUROPE) LIMITED**  
**REGISTERED NUMBER: 02117968**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2016**

	Note	£	2016 £	£	2015 £
<b>Fixed assets</b>					
Tangible assets	11		140,453		128,533
Investments	12		81,089		-
			<u>221,542</u>		<u>128,533</u>
<b>Current assets</b>					
Stocks	13	77,379		305,216	
Debtors	14	2,331,186		7,661,833	
Cash at bank and in hand		2,811,190		1,869,632	
		<u>5,219,755</u>		<u>9,836,681</u>	
<b>Creditors: amounts falling due within one year</b>	15	(1,113,763)		(4,775,179)	
<b>Net current assets</b>			<u>4,105,992</u>		<u>5,061,502</u>
<b>Total assets less current liabilities</b>			<u>4,327,534</u>		<u>5,190,035</u>
<b>Creditors: amounts falling due after more than one year</b>	16		(21,461)		(21,461)
<b>Provisions for liabilities</b>					
Dilapidation provision	18		(100,000)		(100,000)
<b>Net assets</b>			<u><u>4,206,073</u></u>		<u><u>5,068,574</u></u>
<b>Capital and reserves</b>					
Called up share capital	19		28,000		1,828,000
Share premium account	20		920		42,920
Profit and loss account	20		4,177,153		3,197,654
			<u><u>4,206,073</u></u>		<u><u>5,068,574</u></u>

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



19.05.17

**G Bates**  
Director

The notes on pages 10 to 25 form part of these financial statements.

**SERIF (EUROPE) LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
AS AT 31 DECEMBER 2016**

	<b>Share capital £</b>	<b>Share premium £</b>	<b>Retained earnings £</b>	<b>Total equity £</b>
At 1 January 2016	1,828,000	42,920	3,197,654	5,068,574
Profit for the year	-	-	723,871	723,871
Capital reduction	-	-	1,842,000	1,842,000
Dividends: Equity capital	-	-	(1,586,372)	(1,586,372)
Capital reduction	-	(42,000)	-	(42,000)
Capital reduction	(1,800,000)	-	-	(1,800,000)
<b>At 31 December 2016</b>	<b>28,000</b>	<b>920</b>	<b>4,177,153</b>	<b>4,206,073</b>

**STATEMENT OF CHANGES IN EQUITY  
AS AT 31 DECEMBER 2015**

	<b>Share capital £</b>	<b>Share premium £</b>	<b>Retained earnings £</b>	<b>Total equity £</b>
At 1 January 2015	1,828,000	42,920	3,787,597	5,658,517
Profit for the year	-	-	2,353,256	2,353,256
Dividends: Equity capital	-	-	(2,943,199)	(2,943,199)
<b>At 31 December 2015</b>	<b>1,828,000</b>	<b>42,920</b>	<b>3,197,654</b>	<b>5,068,574</b>

The notes on pages 10 to 25 form part of these financial statements.

## SERIF (EUROPE) LIMITED

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

#### 1. Accounting policies

##### 1.1 Basis of preparation of financial statements

Serif (Europe) Limited is a limited company incorporated and domiciled in the United Kingdom. The address of its registered office is disclosed on the company information page.

The financial statements are prepared in Sterling (£) and are for a period of 52 weeks ended 31 December 2016 (2015: 52 weeks ended 31 December 2015).

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS102), the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The company is itself a subsidiary company and it is exempt from the requirement to prepare group accounts by virtue of Section 400 of the Companies Act 2006. The financial statements therefore present information about the company as an individual undertaking and not about its group.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The following accounting policies have been applied:

##### 1.2 Disclosure exemptions

As permitted by FRS 102, section 1.12 the company has taken advantage of the disclosure exemptions available under the standard in relation to the presentation of a cash flow and the aggregate remuneration of key management personnel. Where required, equivalent disclosures are given in the group accounts of Serif Group Limited. The group accounts for Serif Group Limited are available to the public and can be obtained as set out in note 23.

##### 1.3 Revenue recognition

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; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### 1.4 Intangible fixed assets

The intangible asset relates to a customer database purchased at cost from the company's subsidiary, Serif Inc. The asset was amortised over its estimated useful economic life of three years.

## **SERIF (EUROPE) LIMITED**

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

#### **1. Accounting policies (continued)**

##### **1.5 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.

Repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

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. The estimated useful lives range as follows:

Depreciation is provided on the following basis:

Fixtures and fittings	- 15% straight line
Office equipment and computer software	- 10% - 50% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses in the profit and loss account.

At each balance sheet date, the company reviews the carrying amounts of its tangible fixed assets to determine whether there is any indication that any items have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of the asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

##### **1.6 Operating leases**

Assets that are held by the company under leases which transfer substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the group are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

##### **1.7 Investments**

###### **Subsidiary undertakings**

Investments in subsidiaries are initially valued at cost and reviewed annually for signs of impairment. If an impairment loss is identified this is recognised immediately in the profit and loss account and the value of the investment is reduced accordingly.

## SERIF (EUROPE) LIMITED

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

#### 1. Accounting policies (continued)

##### 1.8 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans from or to related parties.

All financial assets and liabilities are initially measured at transaction price and subsequently measured at amortised cost.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

The company also enters into derivatives including foreign exchange contracts which are not basic financial instruments. Derivatives are initially recognised at fair value on the date of the derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the profit and loss account.

##### 1.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stock are assessed for impairment. If stock is impaired, the carrying amount is reduced to its net realisable value. The impairment loss is recognised immediately in the profit and loss account.

##### 1.10 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the monthly average exchange rates at the dates of the transaction.

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.

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 profit and loss account.

##### 1.11 Dividends

Equity dividends are recognised when they become legally payable.

##### 1.12 Provisions 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 profit and loss account 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.

## **SERIF (EUROPE) LIMITED**

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

#### **1. Accounting policies (continued)**

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

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

##### **1.14 Pensions**

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 payments obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet.

##### **1.15 Taxation**

The tax charge for the year comprises of current and deferred tax.

Current or deferred tax is recognised in the profit and loss account, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current or deferred tax is also recognised in other comprehensive income or directly in equity respectively. The current income and deferred tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.



## SERIF (EUROPE) LIMITED

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

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

The directors make estimates and assumptions concerning the future. They are also required to exercise judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### **Leases**

The directors determine whether leases entered into by the company as a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis based on an evaluation of the terms and conditions of the arrangements, and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

##### **Impairment of non-current assets**

The group assesses the impairment of tangible and intangible assets subject to amortisation or depreciation whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important that could trigger an impairment review include the following:

- Significant under-performance relative to historical or projected future operating results;
- Significant changes in the manner of the use of the acquired assets or the business strategy; and
- Significant negative industry or economic trends.

##### **Carrying value of stocks**

The directors review the market value of and demand for its stocks on a periodic basis to ensure stock is recorded in the financial statements at the lower of cost and net realisable value. Any provision for impairment is recorded against the carrying value of stocks. The directors use their knowledge of market conditions, historical experiences and estimates of future events to assess future demand for the company's products and achievable selling prices.

##### **Recoverability of trade and other debtors**

Trade and other debtors are recognised to the extent that they are judged recoverable. The directors review is performed to estimate the level of reserves required for irrecoverable debt. Provisions are made specifically against invoices where recoverability is uncertain.

The directors make allowances for doubtful debts based on an assessment of the recoverability of debtors. Allowances are applied to debtors where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyse historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgment to evaluate the adequacy of the provision for doubtful debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of debtors and the charge in the profit and loss account.

##### **Dilapidation provisions**

The company recognises dilapidation provisions on the leasehold properties it occupies. The directors assess the level of provision required on a property by property basis based on past experience within the property portfolio. These provisions are reviewed annually to ensure that they reflect the current best estimate of the provision required.

## SERIF (EUROPE) LIMITED

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

#### 2. Judgments in applying accounting policies (continued)

##### Depreciation and residual values

The directors have reviewed the asset lives and associated residual values of all fixed asset classes and have concluded that asset lives and residual values are appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual values assessments consider issues such as future market conditions the remaining life of the asset and projected disposal values.

##### Taxation

There are many transactions and calculations for which the ultimate tax determination is uncertain. The company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due.

The director's estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

#### 3. Turnover

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

	2016 £	2015 £
Software sales	9,013,313	10,127,921
Hardware sales	739,473	1,636,444
	<u>9,752,786</u>	<u>11,764,365</u>

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	2,777,879	5,461,588
Rest of Europe	1,672,362	2,158,912
Rest of the world	5,302,545	4,143,865
	<u>9,752,786</u>	<u>11,764,365</u>

**SERIF (EUROPE) LIMITED**

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

**4. Operating profit**

The operating profit is stated after charging/(crediting):

	<b>2016</b> <b>£</b>	<b>2015</b> <b>£</b>
Research and development expenditure	2,336,270	2,156,939
Depreciation of tangible fixed assets	58,385	65,230
Operating lease rentals	122,350	99,500
Foreign exchange differences	(104,647)	(102,195)
Auditors remuneration	20,000	18,500
	<u>          </u>	<u>          </u>

**5. Staff cost**

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

	<b>2016</b> <b>£</b>	<b>2015</b> <b>£</b>
Wages and salaries	3,339,175	5,052,098
Social security costs	342,771	397,655
Other pension costs	680,597	158,148
	<u>4,362,543</u>	<u>5,607,901</u>

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

	<b>2016</b> <b>No.</b>	<b>2015</b> <b>No.</b>
Office and management	78	93
Sales and operations	14	31
	<u>92</u>	<u>124</u>

Included within staff costs is an amount of £Nil (2015: £669,858) in respect of PAYE and national insurance arising from agreement within HM Revenue & Customs of the treatment of certain agreements entered into in earlier years.

**SERIF (EUROPE) LIMITED**

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

**6. Directors' remuneration**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Directors' emoluments	331,946	388,227
Directors pension costs	323,528	31,976
	<u>655,474</u>	<u>420,203</u>

During the year retirement benefits were accruing to 3 directors (2015: 4) in respect of defined contribution pensions schemes.

The highest paid director received remuneration of £197,103 (2015: £238,483).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £117,264 (2015: £14,975).

**7. Interest payable and similar charges**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Other interest payable	-	286,253
	<u>-</u>	<u>286,253</u>

**SERIF (EUROPE) LIMITED**

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

**8. Taxation**

	<b>2016 £</b>	<b>2015 £</b>
<b>Corporation tax</b>		
Current tax on profits for the year	-	177
Adjustments in respect of previous periods	(11,250)	135,022
<b>Foreign tax</b>		
Foreign tax on income for the year	6,046	7,971
<b>Total current tax</b>	<u>(5,204)</u>	<u>143,170</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(165,360)	(504,487)
Changes to tax rates	29,106	2,157
<b>Total deferred tax</b>	<u>(136,254)</u>	<u>(502,330)</u>
<b>Taxation on loss on ordinary activities</b>	<u>(141,458)</u>	<u>(359,160)</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:

	<b>2016 £</b>	<b>2015 £</b>
Profit on ordinary activities before tax	<u>582,413</u>	<u>1,994,096</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 20%)	116,483	398,819
<b>Effects of:</b>		
Expenses not deductible for tax purposes	392,655	157,180
Fixed asset differences	1,858	1,739
Income not taxable for tax purposes	(99,280)	-
Group relief surrendered	1,636	-
Adjustments to tax charge in respect of prior periods	(11,250)	135,022
Other permanent timing differences	(1,209)	(1,594)
Foreign tax credit	6,046	7,971
Additional deduction for research and development tax	(606,684)	(539,653)
Adjust closing deferred tax to average rate of 20.00%	58,287	58,210
Deferred tax relating to previous period and now recognised	-	(576,854)
<b>Total tax charge/(credit) for the year</b>	<u>(141,458)</u>	<u>(359,160)</u>

**SERIF (EUROPE) LIMITED**

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

**8. Taxation (continued)**

**Factors that may affect future tax charges**

There were no factors that may affect future tax charges.

**9. Dividends**

	<b>2016 £</b>	<b>2015 £</b>
Dividends paid	1,586,372	2,943,199
	<u>1,586,372</u>	<u>2,943,199</u>

**10. Intangible assets**

	<b>Customer Database £</b>
<b>Cost</b>	
At 1 January 2016	407,421
<b>At 31 December 2016</b>	<u>407,421</u>
<b>Amortisation</b>	
At 1 January 2016	407,421
<b>At 31 December 2016</b>	<u>407,421</u>
<b>Net book value</b>	
<b>At 31 December 2016</b>	<u>-</u>
At 31 December 2015	<u>-</u>

**SERIF (EUROPE) LIMITED**

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

**11. Tangible fixed assets**

	Fixtures and fittings £	Office equipment and computer software £	Computer hardware £	Total £
<b>Cost</b>				
At 1 January 2016	180,501	952,604	614,521	1,747,626
Additions	26,883	55,943	2,208	85,034
Disposals	(57,834)	(41,160)	(13,669)	(112,663)
At 31 December 2016	149,550	967,387	603,060	1,719,997
<b>Depreciation</b>				
At 1 January 2016	172,119	889,588	557,386	1,619,093
Charge for the year	25,110	11,502	21,773	58,385
Disposals	(47,679)	(37,645)	(12,610)	(97,934)
At 31 December 2016	149,550	863,445	566,549	1,579,544
<b>Net book value</b>				
At 31 December 2016	-	103,942	36,511	140,453
At 31 December 2015	8,382	63,016	57,135	128,533

**12. Fixed asset investments**

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
Additions	81,089
At 31 December 2016	81,089
<b>Net book value</b>	
At 31 December 2016	81,089
At 31 December 2015	-

# SERIF (EUROPE) LIMITED

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

### 12. Fixed asset investments (continued)

#### Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
Serif Inc.	Ordinary	100 %	Providing royalty services

The company was incorporated in United States of America and its registered office is the same as Serif (Europe) Limited.

### 13. Stocks

	2016 £	2015 £
Finished goods	77,379	305,216

Stock recognised in cost of sales during the year as an expense was £622,227 (2015: £872,255).

An impairment loss of £111,992 (2015: £50,364) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

### 14. Debtors

	2016 £	2015 £
Trade debtors	99,363	369,539
Amounts owed by group undertakings	493,808	5,721,479
Other debtors	888,063	827,219
Prepayments and accrued income	189,805	219,703
Deferred taxation	660,147	523,893
	2,331,186	7,661,833

An impairment loss of £24,000 (2015: £24,000) was recognised in administrative expenses against trade debtors during the year.

An impairment loss of £5,590,845 (2015: £Nil) was recognised in administrative expenses against amounts owed by group undertakings.



**SERIF (EUROPE) LIMITED**

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

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

	<b>2016 £</b>	<b>2015 £</b>
Trade creditors	110,095	249,261
Amounts owed to group undertakings	-	3,640,123
Corporation tax	14,194	8,148
Taxation and social security	276,636	192,048
Other creditors	258,490	345,299
Accruals and deferred income	454,348	340,300
	<u>1,113,763</u>	<u>4,775,179</u>

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

	<b>2016 £</b>	<b>2015 £</b>
Share capital treated as debt	21,461	21,461
	<u>21,461</u>	<u>21,461</u>

Disclosure of the terms and conditions attached to the non-equity shares is made in note 19.

**17. Deferred taxation**

	<b>Deferred taxation £</b>
At 1 January 2016	523,893
Charged to the profit or loss	136,254
<b>At 31 December 2016</b>	<u><u>660,147</u></u>

The deferred tax asset is made up as follows:

	<b>2016 £</b>	<b>2015 £</b>
Accelerated capital allowances	2,342	10,910
Tax losses carried forward	653,989	506,573
Other short term timing differences	3,816	6,410
	<u>660,147</u>	<u>523,893</u>

# SERIF (EUROPE) LIMITED

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

### 18 Provisions

	Dilapidation provision £
At 1 January 2016	100,000
<b>At 31 December 2016</b>	<b>100,000</b>

The provision relates to dilapidations on the leasehold property used by the company.

### 19. Share capital

	2016 £	2015 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
188,620 Deferred Ordinary shares of £1 each	-	188,620
120,000 Ordinary shares of \$0.0001 each	-	12
1,639,368 Ordinary shares of £1 each	-	1,639,368
39,760 Ordinary shares of \$1 each	28,000	-
	<u>28,000</u>	<u>1,828,000</u>

	2016 £	2015 £
<b>Shares classified as debt</b>		
<b>Allotted, called up and fully paid</b>		
21,460 8p Preference shares of \$0.0001 each	1	1
21,460 Deferred 8% Preference shares of £1 each	21,460	21,460
	<u>21,461</u>	<u>21,461</u>

## SERIF (EUROPE) LIMITED

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

#### 19. Share capital (continued)

##### Voting

Share of the company shall carry votes as follows:

Ordinary shares - one vote per share  
Deferred Preference shares - no right to vote  
Preference shares - one vote per share

##### Return on capital

On a return of assets on liquidation or otherwise, the assets of the company remaining after the payment of its liabilities shall be applied in the following order of priority:

- a) First, in repaying the holders of the Preference shares the sum of £1 each, together with all arrears of dividends
- b) Second, shall be distributed to the holders of the Ordinary shares pro-rotta according to the number of shares held by them.
- c) Thirdly, the Deferred Preference shares shall not entitle the holders to participate in the return of capital until every holder of ordinary shares has received £1 million in respect of each Ordinary shares they have, and then only to the extent of £1 per each Deferred share.

Further detailed of the terms and conditions attaching to all shares are detailed within the Articles of Association which are available from Companies House.

On 10 March 2016 by special resolution of the members, the company's share capital was reduced from £1,828,000 to £28,000 by the cancellation of 188,620 deferred ordinary shares of £1 each, 120,000 ordinary shares of \$0.001 each and 1,639,368 ordinary shares of £1 each and the issue of 39,760 ordinary shares of \$1 each. The associated share capital was credited to the movement on the profit and loss reserve.

#### 20. Reserves

##### Share premium

The share premium account represents the amounts received for shares in excess of their nominal value.

On 10 March 2016 by special resolution of the members, the company's share premium was reduced from £42,920 to £920. The associated share premium was credited to the movement on the profit and loss reserve.

##### Profit and loss account

The profit and loss account represents accumulated profit and loss for the year ended and prior periods less dividends paid.

## SERIF (EUROPE) LIMITED

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

#### 21. Commitments under operating leases

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

	2016 £	2015 £
Not later than 1 year	144,000	99,500
Later than 1 year and not later than 5 years	560,000	33,167
Later than 5 years	46,667	-
<b>Total</b>	<b>750,667</b>	<b>132,667</b>

#### 22. Related party transactions

Advantage has been taken of the exemption provided by FRS 102 Section 33.1A not to disclose transactions with fellow group companies and disclosure on key management personnel as all subsidiary undertakings are wholly owned by the ultimate controlling entity of the group.

#### 23. Controlling party

The company's immediate parent undertaking during the year was Serif Holdings Limited, a company incorporated in England and Wales. On 31 March 2016, the company's immediate parent undertaking was then Serif Group Limited, a company incorporated in England and Wales.

This is the largest and smallest group of undertakings for which group accounts are drawn up and of which the company is a member. Consolidated accounts are available from Companies House, Cardiff, Crown Way, CF14 3UZ.

The directors consider the ultimate controlling parties are G Bates and J Bryce, acting in consortium.