

Electoral Reform Services Limited

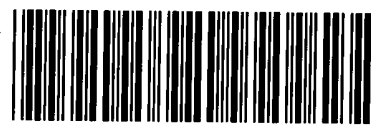
Report and Financial Statements

Year Ended

31 December 2016

Company Number 02263092

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COMPANIES HOUSE

Electoral Reform Services Limited

Company Information

Directors	M R Burdett - Chairman A E M McCusker - Non Executive Director S E Roberts - Chief Executive J A Bradley N R Crump (appointed 7 December 2016) N Goodman S A Hearn R G Lord I Robinson J P Wadsworth
Registered number	02263092
Registered office	The Election Centre 33 Clarendon Road Hornsey London N8 0NW
Independent auditor	BDO LLP 16 The Havens Ransomes Europark Ipswich Suffolk IP3 9SJ

Electoral Reform Services Limited

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Electoral Reform Services Limited

Group Strategic Report For the Year Ended 31 December 2016

Introduction

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

Fair review of the business

Electoral Reform Services Limited is the UK's leading independent ballot services provider and expert in the administration of digital and postal voting, offering a choice of online, postal, telephone and SMS voting, available in multiple languages and accessible from anywhere in the world.

The principal activities of the trading subsidiaries are as follows:

Membership Engagement Services Limited - The provision of tailored consultancy services to help organisations connect more effectively with their members.

Xpress Software Solutions Limited and Modern Mindset Limited - The development and selling of specialised computer software products.

Shaw & Sons Limited - The sale of election supplies.

These financial statements are prepared in accordance with FRS102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The Group has traded profitably during the year and has achieved excellent growth in revenues and profitability in the parent company and all subsidiaries. The financial position of the Company and the Group at the year end were considered strong.

The Group's key performance indicators were that of turnover, gross margin and net profit after taxation, which communicate the financial performance of the Group as a whole, and client satisfaction, which communicates the quality of the Group's products and services and their ability to meet the needs of the clients.

Key performance indicators

The key financial performance indicators for the last three years are as follows:-

	2016	2015	2014
	£	£	£
Turnover	37,398,989	32,750,367	27,099,494
Gross profit	19,076,250	16,429,222	14,172,764
Net profit after taxation and minority interests	4,014,382	3,301,821	2,336,929

Electoral Reform Services Limited

Group Strategic Report For the Year Ended 31 December 2016

Client satisfaction is measured by a mixture of continual client feedback surveys, client "User Groups" where appropriate, and informal feedback. All of these measures have confirmed very high levels of client satisfaction across the Group.

Principal risks and uncertainties

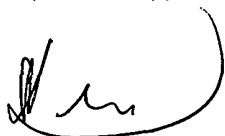
The Group's revenues are increasingly derived from long term contracts, however a proportion remains project orientated and can be unpredictable.

Much of the Group's work is high profile and subject to very strict deadlines, such that any quality failures would carry a significant risk of reputational damage. To mitigate this risk the Group maintains strict quality control procedures which are ISO 9001 and ISO 27001 accredited, the result is that the Group has never suffered such reputational damage in its entire history.

The Group has substantial reserves and is debt free, having always funded its operations from its own generated cash reserves.

Trade debtors are managed by credit and cash flow risk policies concerning the amount of credit offered to customers and the regular monitoring of amounts outstanding. The Group's clients are mainly substantial organisations, including a large percentage in the public sector, and consequently has a very low risk of bad debts.

This report was approved by the board on 8 June 2017 and signed on its behalf.



S E Roberts
Director

Electoral Reform Services 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 Group 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 group and company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make 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 and non-controlling interests, amounted to £4,014,382 (2015 - £3,301,821).

Dividends totalling £1,100,000 (2015: £1,386,494) were paid to the 'A' Ordinary shareholders during the year. Dividends totalling £192,001 (2015: £Nil) were paid to the 'C' Ordinary shareholders during the year.

The directors recommend payment of a final dividend to the 'A' Ordinary shareholders for the year of £224,840 per share (being a total dividend of £1,124,200) (2015: £220,000 per share being a total dividend of £1,100,000).

The directors recommend payment of a final dividend to the 'C' Ordinary shareholders for the year of £0.25 per share (2015: £0.25 per share).

Directors

The directors who served during the year were:

M R Burdett - Chairman
A E M McCusker - Non Executive Director
S E Roberts - Chief Executive
J A Bradley
N R Crump (appointed 7 December 2016)
N Goodman
S A Hearn
R G Lord
I Robinson
J P Wadsworth

Electoral Reform Services Limited

Directors' Report (continued) For the Year Ended 31 December 2016

Future developments

The directors aim to continue the principal activities undertaken by the company and its subsidiaries and to utilise the Group's reserves to foster long-term sustainable growth.

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 and the Group'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 and the Group's auditor is aware of that information.

Post balance sheet events


Subsequent to the year end the subsidiary Shaw & Sons Group Ltd and its sub-group of Shaw & Sons (Holdings) Limited and Shaw & Sons Ltd underwent an internal reorganisation. As part of this, these three subsidiaries each reduced their share capital to £100.

There have been no other significant events affecting the Group since the year end.

Auditor

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

This report was approved by the board on 8 June 2017 and signed on its behalf.



S E Roberts
Director

Electoral Reform Services Limited

Independent Auditor's Report to the Members of Electoral Reform Services Limited

We have audited the financial statements of Electoral Reform Services Limited for the year ended 31 December 2016 which comprise the consolidated Statement of Comprehensive Income, the consolidated and company Statement of Financial Position, the consolidated Statement of Cash Flows, the consolidated and company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, 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 (FRC'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 FRC's website at 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 group's and the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report has been prepared in accordance with applicable legal requirements.

Electoral Reform Services Limited

Independent Auditor's Report to the Members of Electoral Reform Services Limited

Matters on which we are required to report by exception

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

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

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

BDO LLP

Timothy Taylor (Senior statutory auditor)
for and on behalf of BDO LLP, Statutory auditor
Ipswich
United Kingdom

3 August 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Electoral Reform Services Limited

Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2016

	Note	2016 £	2015 £
Turnover	4	37,398,989	32,750,367
Cost of sales		(18,322,739)	(16,321,145)
Gross profit		19,076,250	16,429,222
Administrative expenses		(13,663,606)	(12,055,122)
Operating profit	5	5,412,644	4,374,100
Interest receivable and similar income	9	29,723	62,079
Interest payable and expenses	10	(1,174)	-
Profit before taxation		5,441,193	4,436,179
Tax on profit	11	(1,115,408)	(738,072)
Profit for the year		4,325,785	3,698,107
Unrealised surplus on revaluation of tangible fixed assets		494,125	-
Other comprehensive income for the year		494,125	-
Total comprehensive income for the year		4,819,910	3,698,107
Profit for the year attributable to:			
Non-controlling interests		311,403	396,286
Owners of the parent Company		4,014,382	3,301,821
		4,325,785	3,698,107
Total comprehensive income for the year attributable to:			
Non-controlling interest		311,403	396,286
Owners of the parent Company		4,508,507	3,301,821
Total equity		4,819,910	3,698,107

The notes on pages 16 to 43 form part of these financial statements.

Electoral Reform Services Limited
Registered number:02263092

Consolidated Statement of Financial Position
As at 31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	14	2,237,959	2,042,633
Tangible assets	15	4,421,739	3,904,514
		<u>6,659,698</u>	<u>5,947,147</u>
Current assets			
Stocks	17	351,898	148,313
Debtors: amounts falling due within one year	18	5,716,840	5,565,252
Cash at bank and in hand	19	13,923,035	12,079,895
		<u>19,991,773</u>	<u>17,793,460</u>
Creditors: amounts falling due within one year	20	(7,413,372)	(5,860,735)
Net current assets		<u>12,578,401</u>	<u>11,932,725</u>
Total assets less current liabilities		<u>19,238,099</u>	<u>17,879,872</u>
Provisions for liabilities			
Deferred taxation		-	(1,880)
Net assets		<u><u>19,238,099</u></u>	<u><u>17,877,992</u></u>
Capital and reserves			
Called up share capital	23	115	11
Revaluation reserve	24	494,125	-
Own shares reserve	24	(122,196)	85,784
Profit and loss account	24	18,698,920	17,476,844
Equity attributable to owners of the parent Company		<u>19,070,964</u>	<u>17,562,639</u>
Non-controlling interests		167,135	315,353
		<u><u>19,238,099</u></u>	<u><u>17,877,992</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 8 June 2017.


S E Roberts
Director


M R Burdett
Director

The notes on pages 16 to 43 form part of these financial statements.

Electoral Reform Services Limited

Registered number:02263092

Company Statement of Financial Position As at 31 December 2016

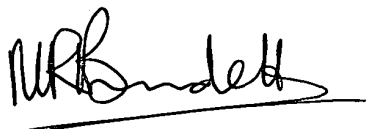
	Note	2016 £	2015 £
Fixed assets			
Tangible assets	15	4,368,241	3,855,899
Investments	16	7,958,945	4,538,105
		<u>12,327,186</u>	<u>8,394,004</u>
Current assets			
Stocks	17	147,126	148,313
Debtors: amounts falling due within one year	18	5,001,680	4,442,338
Cash at bank and in hand	19	10,362,293	9,958,419
		<u>15,511,099</u>	<u>14,549,070</u>
Creditors: amounts falling due within one year	20	(5,093,917)	(3,676,757)
Net current assets		<u>10,417,182</u>	<u>10,872,313</u>
Total assets less current liabilities		<u>22,744,368</u>	<u>19,266,317</u>
Net assets		<u><u>22,744,368</u></u>	<u><u>19,266,317</u></u>
Capital and reserves			
Called up share capital	23	115	11
Revaluation reserve	24	494,125	-
Own shares reserve	24	(122,196)	85,784
Profit and loss account	24	22,372,324	19,180,522
		<u>22,744,368</u>	<u>19,266,317</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 8 June 2017.

S E Roberts
Director



M R Burdett
Director



Electoral Reform Services Limited

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2016

	Called up share capital	Reval- uation reserve	Share based payment	Profit and loss account	Equity attributable to owners of parent Company	Non- controlling interests	Total equity
	£	£	£	£	£	£	£
At 1 January 2016	11	-	85,784	17,476,844	17,562,639	315,353	17,877,992
Comprehensive income for the year							
Profit for the year	-	-	-	4,014,382	4,014,382	311,403	4,325,785
Revaluation of tangible fixed assets	-	494,125	-	-	494,125	-	494,125
Other comprehensive income for the year	-	494,125	-	-	494,125	-	494,125
Total comprehensive income for the year	-	494,125	-	4,014,382	4,508,507	311,403	4,819,910
Dividends: Equity capital	-	-	-	(1,292,001)	(1,292,001)	-	(1,292,001)
Shares issued during the year	104	-	-	-	104	-	104
Dividends: Non- controlling interest	-	-	-	-	-	(396,286)	(396,286)
Acquisition of minority interest	-	-	-	(1,500,305)	(1,500,305)	(63,335)	(1,563,640)
Share based payment transactions	-	-	(207,980)	-	(207,980)	-	(207,980)
Total transactions with owners	104	-	(207,980)	(2,792,306)	(3,000,182)	(459,621)	(3,459,803)
At 31 December 2016	115	494,125	(122,196)	18,698,920	19,070,964	167,135	19,238,099

The share based payments transactions amount of £207,980 consists of £283,120 in respect of purchase of shares and a credit of £75,140 in respect of share based payment expense.

Electoral Reform Services Limited

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2015

	Called up share capital £	Share based payment £	Profit and loss account £	Equity attributable to owners of parent Company £	Non- controlling interests £	Total equity £
At 1 January 2015	11	16,770	15,561,517	15,578,298	353,565	15,931,863
Comprehensive income for the year						
Profit for the year	-	-	3,301,821	3,301,821	396,286	3,698,107
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	3,301,821	3,301,821	396,286	3,698,107
Dividends: Equity capital	-	-	(1,386,494)	(1,386,494)	-	(1,386,494)
Dividends: Non-controlling interests	-	-	-	-	(434,498)	(434,498)
Share based payment expense	-	69,014	-	69,014	-	69,014
Total transactions with owners	-	69,014	(1,386,494)	(1,317,480)	(434,498)	(1,751,978)
At 31 December 2015	11	85,784	17,476,844	17,562,639	315,353	17,877,992

The notes on pages 16 to 43 form part of these financial statements.

Electoral Reform Services Limited

Company Statement of Changes in Equity For the Year Ended 31 December 2016

	Called up share capital	Revaluation reserve	Share based payment	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2016	11	-	85,784	19,180,522	19,266,317
Comprehensive income for the year					
Profit for the year	-	-	-	4,483,803	4,483,803
Revaluation of tangible fixed assets	-	494,125	-	-	494,125
Other comprehensive income for the year	-	494,125	-	-	494,125
Total comprehensive income for the year	-	494,125	-	4,483,803	4,977,928
Contributions by and distributions to owners					
Dividends: Equity capital	-	-	-	(1,292,001)	(1,292,001)
Shares issued during the year	104	-	-	-	104
Share based payment transactions	-	-	(207,980)	-	(207,980)
Total transactions with owners	104	-	(207,980)	(1,292,001)	(1,499,877)
At 31 December 2016	115	494,125	(122,196)	22,372,324	22,744,368

The share based payments transactions amount of £207,980 consists of £283,120 in respect of purchase of shares and a credit of £75,140 in respect of share based payment expense.

Electoral Reform Services Limited

Company Statement of Changes in Equity For the Year Ended 31 December 2015

	Called up share capital	Share based payment	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2015	11	16,770	15,533,101	15,549,882
Comprehensive income for the year				
Profit for the year	-	-	5,033,915	5,033,915
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	5,033,915	5,033,915
Dividends: Equity capital	-	-	(1,386,494)	(1,386,494)
Credit in respect of share based payments	-	69,014	-	69,014
Total transactions with owners	-	69,014	(1,386,494)	(1,317,480)
At 31 December 2015	11	85,784	19,180,522	19,266,317

The notes on pages 16 to 43 form part of these financial statements.

Electoral Reform Services Limited

Consolidated Statement of Cash Flows For the Year Ended 31 December 2016

	2016 £	2015 £
Cash flows from operating activities		
Profit for the financial year	4,325,785	3,698,107
Adjustments for:		
Amortisation of intangible assets	663,737	584,990
Depreciation of tangible assets	294,104	266,972
Profit on disposal of tangible assets	(2,674)	(6,433)
Interest paid	1,174	-
Interest received	(29,723)	(62,079)
Taxation charge	1,115,408	738,072
Decrease/(increase) in stocks	59,796	(34,948)
Decrease/(increase) in debtors	175,870	(342,303)
Increase in creditors	781,207	1,191,927
Corporation tax paid	(510,494)	(553,213)
Equity settled share based payment expense	75,140	69,014
Share based payment movement (purchase of shares)	(283,120)	-
Net cash generated from operating activities	6,666,210	5,550,106
Cash flows from investing activities		
Acquisition of subsidiary companies less cash acquired	(1,306,014)	-
Decrease in non controlling interest	(1,563,640)	-
Purchase of tangible fixed assets	(296,456)	(208,140)
Sale of tangible fixed assets	2,674	6,433
Interest received	29,723	62,079
Net cash from investing activities	(3,133,713)	(139,628)

Electoral Reform Services Limited

Consolidated Statement of Cash Flows (continued) For the Year Ended 31 December 2016

	2016 £	2015 £
Cash flows from financing activities		
Issue of ordinary shares	104	-
Dividends paid	(1,292,001)	(1,386,494)
Non controlling interest dividends paid	(396,286)	(434,498)
Interest paid	(1,174)	-
Net cash used in financing activities	(1,689,357)	(1,820,992)
Net increase in cash and cash equivalents	1,843,140	3,589,486
Cash and cash equivalents at beginning of year	12,079,895	8,490,409
Cash and cash equivalents at the end of year	13,923,035	12,079,895
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	13,923,035	12,079,895
	13,923,035	12,079,895

Electoral Reform Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

1. General information

Electoral Reform Services Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office is shown on the company information page. The nature of the company's operations and its principal activities are outlined in the Strategic Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The presentation currency is pounds sterling (GBP).

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2014.

2.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the Company and Group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Electoral Reform Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.4 Revenue

Revenue represents amounts due under contracts for goods and services and is recognised as earned when, and to the extent that, the Company and the Group obtain the right to consideration in exchange for their performance under these contracts. It is derived entirely from the Company's and Group's principal activities. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue for services is recognised as contract activity progresses so that for incomplete contracts it reflects the partial performance of the contractual obligations. For such contracts the amount of revenue reflects the accrual of the right to consideration by reference to the value of work performed. Revenue not billed to customers is included within accrued income in debtors and amounts received on account in excess of the relevant amount of revenue are included within deferred income in creditors.

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.

2.5 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Goodwill	-	10	years
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Electoral Reform Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.6 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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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:

Freehold property	- not depreciated
Plant and machinery	- 10% to 33% per annum
Motor vehicles	- 25% per annum
Furniture, fixtures and fittings	- 10% per annum
Computer equipment	- 33% per annum

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 in the Consolidated Statement of Comprehensive Income.

2.7 Revaluation of tangible fixed assets

Freehold land and buildings are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Consolidated Statement of Comprehensive Income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Electoral Reform Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.9 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. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 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.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.12 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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 debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the Consolidated Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

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,

Electoral Reform Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.12 Financial instruments (continued)

an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

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. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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 of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position 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.

2.13 Creditors

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

2.14 Employee share ownership plan ("ESOP")

The cost of the Group's shares held by the ESOP is deducted from equity in the Group and Company balance sheets under the heading ESOP share reserve. Any cash received by the ESOP on disposal of the shares it holds is also recognised directly in equity. Other assets and liabilities of the ESOP (including borrowings) are recognised as assets and liabilities of the Group.

2.15 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.16 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

Electoral Reform Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.17 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Consolidated Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Consolidated Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Consolidated Statement of Comprehensive Income is charged with fair value of goods and services received.

2.18 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.19 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plans are held separately from the Group in independently administered funds.

2.20 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

Electoral Reform Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

2. Accounting policies (continued)

2.21 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group 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 Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position 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 Statement of Financial Position.

2.22 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge 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 reporting date in the countries where the Company and the Group operate and generate income.

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

- 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Electoral Reform Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

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

In preparing these financial statements, the directors have had to make the following judgments:

- Determine whether leases entered into by the Group either as a lessor or a lessee are operating or lease 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.
- Determine whether there are indicators of impairment of the Group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Determine whether the Employee Share Ownership Plan (ESOP) should be considered to be under the control or de facto control of the parent Company. The judgment that the parent Company does exert de facto control has resulted in the ESOP's assets and liabilities being recognised on the parent Company and consolidated balance sheets.
- Goodwill and intangible assets - The Group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses. Positive goodwill acquired on each business combination is capitalised, classified as an asset on the statement of financial position and amortised on a straight line basis over its useful life.
- Valuation of Share-based Payments - The fair value of share-based payments is determined using valuation models and is charged to the Group Statement of Comprehensive Income over the vesting period. Estimations of vesting and satisfaction of performance criteria are required to determine fair value. Fair values are calculated using the Black-Scholes model.

Other key sources of estimation uncertainty

- **Tangible fixed assets (see note 15)**
Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- **Recoverability of financial assets**
Determine whether debtors are recoverable. Consideration is made of any objective evidence of impairment of any financial assets that are measured at cost or amortised cost, including observable data that come to the attention of the company or other factors which may also be evidence of impairment, including significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in respect of that financial asset.
- **Provision for Impairment of Inventories**
The financial statements include a provision for impairment of inventories that is based on management's estimation of recoverability. There is a risk that the provision will not match the inventories that ultimately prove to be impaired.

Electoral Reform Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

3. Judgments in applying accounting policies (continued)

- **Provision for Impairment of Trade Receivables**
The financial statements include a provision for impairment of trade receivables that is based on management's estimation of recoverability. There is a risk that the provision will not match the trade receivables that ultimately prove to be irrecoverable.
- **Acquisitions**
Management used judgement to determine the fair value of identifiable tangible and intangible assets and liabilities acquired.

4. Turnover

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

	2016 £	2015 £
Electoral and research activities	28,584,654	24,996,735
Membership engagement services	1,919,709	1,764,285
Software solutions	6,393,647	5,989,347
Publishing and stationery suppliers	309,753	-
Funeral products	191,226	-
	37,398,989	32,750,367

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	37,287,629	32,660,001
Rest of the world	111,360	90,366
	37,398,989	32,750,367

Electoral Reform Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

5. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	294,103	266,971
Amortisation of intangible assets, including goodwill	663,737	584,990
Other operating lease rentals	203,783	178,973
Defined contribution pension cost	313,094	306,778
	<u>1,474,717</u>	<u>1,237,712</u>

Research and development charged as an expense was £500,000 (2015: 545,208).

6. Auditor's remuneration

	2016 £	2015 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	16,000	20,000
	<u>16,000</u>	<u>20,000</u>

7. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	1,238,788	1,071,355
Company contributions to defined contribution pension schemes	184,594	224,146
	<u>1,423,382</u>	<u>1,295,501</u>

During the year retirement benefits were accruing to 6 directors (2015 - 6) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £443,180 (2015 - £316,669). The highest paid director exercised share options in the year.

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £3,826 (2015 - £83,826).

7 directors exercised share options in the year (2015: none).

Electoral Reform Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

8. Employees

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

	2016 £	2015 £
Wages and salaries	9,508,130	8,574,050
Social security costs	1,038,484	931,195
Cost of defined contribution scheme	313,094	320,424
	<u>10,859,708</u>	<u>9,825,669</u>

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

	2016 No.	2015 No.
Administration	173	156
Production	28	24
	<u>201</u>	<u>180</u>

9. Interest receivable

	2016 £	2015 £
Bank interest receivable	<u>29,723</u>	<u>62,079</u>

10. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	<u>1,174</u>	<u>-</u>

Electoral Reform Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

11. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	1,400,236	1,034,326
Adjustments in respect of previous periods	(158,681)	(296,254)
	<u>1,241,555</u>	<u>738,072</u>
Total current tax	<u>1,241,555</u>	<u>738,072</u>
Deferred tax		
Origination and reversal of timing differences	(126,147)	-
Total deferred tax	<u>(126,147)</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>1,115,408</u>	<u>738,072</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.24%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>5,441,193</u>	<u>4,436,179</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.24%)	1,088,239	897,883
Effects of:		
Tax effect of expenses not deductible in determining taxable profit	1,790	708
Capital allowances for year in excess of depreciation	(1,039)	(13,124)
Adjustments to tax charge in respect of prior periods	(158,681)	(296,254)
Other differences including amortisation expenses not deductible in determining taxable profit	142,978	134,891
Share based payment charge	15,028	13,968
Adjust to 20% deferred tax opening and closing rates	27,093	-
Total tax charge for the year	<u>1,115,408</u>	<u>738,072</u>

Electoral Reform Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

11. Taxation (continued)

Factors that may affect future tax charges

At the year end the group had capital losses carried forward of £132,285 (2015: £Nil). No related deferred tax asset of £22,488 has been recognised as it is not probable that these losses will be utilised and the asset recovered.

12. Dividends

	2016 £	2015 £
Dividends paid on 'A' ordinary shares during the year	1,100,000	1,386,494
Dividends paid on 'C' ordinary shares during the year	192,001	-
	<u>1,292,001</u>	<u>1,386,494</u>

13. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent Company for the year was £4,483,803 (2015 - £5,033,915).

Electoral Reform Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

14. Intangible assets

Group

	Goodwill £
Cost	
At 1 January 2016	5,849,900
Additions	859,063
At 31 December 2016	<u>6,708,963</u>
Amortisation	
At 1 January 2016	3,807,267
Charge for the year	663,737
At 31 December 2016	<u>4,471,004</u>
Net book value	
At 31 December 2016	<u>2,237,959</u>
At 31 December 2015	<u>2,042,633</u>

The intangible assets of the group all relate to goodwill. The company has no intangible assets.

Electoral Reform Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

15. Tangible fixed assets

Group

	Freehold land & buildings £	Short-term leasehold property £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation					
At 1 January 2016	3,255,875	-	3,969,296	15,347	7,240,518
Additions	-	-	296,456	-	296,456
Acquisition of subsidiary	-	7,755	12,993	-	20,748
Disposals	-	-	(30,756)	-	(30,756)
Revaluations	494,125	-	-	-	494,125
At 31 December 2016	<u>3,750,000</u>	<u>7,755</u>	<u>4,247,989</u>	<u>15,347</u>	<u>8,021,091</u>
Depreciation					
At 1 January 2016	-	-	3,320,657	15,347	3,336,004
Charge for the period on owned assets	-	2,437	291,667	-	294,104
Disposals	-	-	(30,756)	-	(30,756)
At 31 December 2016	<u>-</u>	<u>2,437</u>	<u>3,581,568</u>	<u>15,347</u>	<u>3,599,352</u>
Net book value					
At 31 December 2016	<u>3,750,000</u>	<u>5,318</u>	<u>666,421</u>	<u>-</u>	<u>4,421,739</u>
At 31 December 2015	<u>3,255,875</u>	<u>-</u>	<u>648,639</u>	<u>-</u>	<u>3,904,514</u>

Cost or valuation at 31 December 2016 is as follows:

At cost	Land and buildings £
At valuation, in respect of freehold land and buildings:	3,263,630
Valuation as at 31 December 2016, based upon a professionally qualified valuation report obtained in April 2017	<u>494,125</u>
	<u><u>3,757,755</u></u>

Electoral Reform Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

15. Tangible fixed assets (continued)

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2016 £	2015 £
Freehold and leasehold property		
Cost - freehold land and buildings	3,255,875	3,255,875
Cost - short-term leasehold property	7,755	-
Net book value	3,263,630	3,255,875

Electoral Reform Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

15. Tangible fixed assets (continued)

Company

	Freehold land & buildings £	Plant and machinery £	Total £
Cost or valuation			
At 1 January 2016	3,255,875	3,626,532	6,882,407
Additions	-	278,504	278,504
Disposals	-	(30,756)	(30,756)
Revaluations	494,125	-	494,125
At 31 December 2016	<u>3,750,000</u>	<u>3,874,280</u>	<u>7,624,280</u>
Depreciation			
At 1 January 2016	-	3,026,508	3,026,508
Charge for the period on owned assets	-	260,287	260,287
Disposals	-	(30,756)	(30,756)
At 31 December 2016	<u>-</u>	<u>3,256,039</u>	<u>3,256,039</u>
Net book value			
At 31 December 2016	<u>3,750,000</u>	<u>618,241</u>	<u>4,368,241</u>
At 31 December 2015	<u>3,255,875</u>	<u>600,024</u>	<u>3,855,899</u>

Cost or valuation at 31 December 2016 is as follows:

	Land and buildings £
At cost	<u>3,255,875</u>
At valuation:	
Valuation as at 31 December 2016, based upon a professionally qualified valuation report obtained in April 2017	<u>494,125</u>
	<u><u>3,750,000</u></u>

Electoral Reform Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

15. Tangible fixed assets (continued)

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2016 £	2015 £
Freehold land & buildings		
Cost	3,255,875	3,255,875
Net book value	<u>3,255,875</u>	<u>3,255,875</u>

16. Fixed asset investments

Direct subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Electoral Services Limited	Ordinary	100 %	Dormant
Electoral Reform (Market Research) Limited	Ordinary	100 %	Dormant
The Election Centre Limited	Ordinary	100 %	Dormant
Membership Engagement Services Limited	Ordinary	100 %	Membership engagement consultancy services
Xpress Software Solutions Limited	Ordinary	90 %	Development and sale of computer software
Shaw & Sons Group Limited	Ordinary	100 %	Holding company

Indirect Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Modern Mindset Limited	Ordinary	90 %	Development and sale of computer software
Shaw & Sons (Holdings) Limited	Ordinary	100 %	Intermediate holding company
Shaw & Sons Limited	Ordinary	100 %	Publishers and suppliers

Following a group restructure post year end, as explained in the directors report, Shaw & Sons Ltd became a directly held subsidiary of the company.

The registered office of each subsidiary is the same as that of Electoral Reform Services Ltd, being: The Election Centre, 33 Clarendon Road, Hornsey, London, N8 0NW.

Electoral Reform Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

16. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £
Cost	
At 1 January 2016	4,538,105
Additions	3,420,840
At 31 December 2016	<u>7,958,945</u>
Net book value	
At 31 December 2016	<u>7,958,945</u>

On 1 February 2016 the Company acquired 100% of the issued share capital of Shaw & Sons Group Limited for a consideration of £1,857,200.

On 22 July 2016 the Company acquired an additional 10% of the issued share capital of Xpress Software Solutions Limited for consideration of £1,563,640.

17. Stocks

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Raw materials and consumables	147,126	148,313	147,126	148,313
Work in progress (goods to be sold)	1,933	-	-	-
Finished goods and goods for resale	202,839	-	-	-
	<u>351,898</u>	<u>148,313</u>	<u>147,126</u>	<u>148,313</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Electoral Reform Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

18. Debtors

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade debtors	4,937,492	4,774,780	3,951,910	3,874,003
Amounts owed by group undertakings	-	-	500,000	-
Other debtors	233,316	68,328	50,707	8,624
Prepayments and accrued income	172,580	233,834	161,205	99,458
Gross amounts due from contract customers	242,924	262,591	207,330	234,534
Corporation tax recoverable	-	225,719	-	225,719
Deferred taxation	130,528	-	130,528	-
	<u>5,716,840</u>	<u>5,565,252</u>	<u>5,001,680</u>	<u>4,442,338</u>

19. Cash and cash equivalents

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Cash at bank and in hand	<u>13,923,035</u>	<u>12,079,895</u>	<u>10,362,293</u>	<u>9,958,419</u>

20. Creditors: Amounts falling due within one year

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade creditors	984,282	828,375	849,826	765,857
Amounts owed to group undertakings	-	-	1,200,545	555,078
Corporation tax payable	1,146,974	635,371	578,318	356,046
Other taxation and social security	1,606,054	1,336,716	1,301,861	1,099,723
Other creditors and accruals	1,327,925	985,822	1,163,367	900,053
Deferred income	2,348,137	2,074,451	-	-
	<u>7,413,372</u>	<u>5,860,735</u>	<u>5,093,917</u>	<u>3,676,757</u>

Electoral Reform Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

21. Financial instruments

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	19,093,843	16,923,003	14,864,910	13,841,046
	<u>19,093,843</u>	<u>16,923,003</u>	<u>14,864,910</u>	<u>13,841,046</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(2,307,992)	(1,814,197)	(3,213,738)	(2,220,988)
	<u>(2,307,992)</u>	<u>(1,814,197)</u>	<u>(3,213,738)</u>	<u>(2,220,988)</u>

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed by group undertakings, other debtors, accrued income and cash at bank and in hand.

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

Electoral Reform Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

22. Deferred taxation

Group

	2016 £	2015 £
At beginning of year	(1,880)	(1,880)
Credited to profit or loss	127,528	-
Arising on business combinations	4,880	-
At end of year	130,528	(1,880)

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Accelerated capital allowances	(8,667)	(1,880)	(8,667)	-
Short term timing differences	139,195	-	139,195	-
	130,528	(1,880)	130,528	-

23. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
5 'A' Ordinary shares of £1 each	5	5
6 'B' Ordinary shares of £1 each	6	6
1,035,966 'C' Ordinary shares of £0.0001 each issued in the year for cash	104	-
	115	11

Electoral Reform Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

23. Share capital (continued)

Shareholders' rights

'A' Ordinary Share of £1 each

The 'A' ordinary shareholders are entitled to one vote per share at general meetings. The 'A' ordinary shareholders have rights to participate in profits of the company by way of a dividend. By way of a separate shareholders agreement, 50% of the audited profits will be distributed to the 'A' shareholders up to a maximum of £1,100,000, uplifted annually by a percentage increase in the retail price index.

The 'A' ordinary shareholders have rights to participate in the assets of the company in the event of a winding up of the Company or any other return of capital. In all other respects the shares rank pari passu with the 'B' and 'C' shares.

'B' Ordinary Share of £1 each

The 'B' ordinary shareholders are entitled to one vote per share at general meetings. The 'B' Ordinary shareholders are not entitled to receive a dividend or a distribution from the Audited Profits or a distribution on the winding up of the Company. In all other respects the shares rank pari passu with the 'A' and 'C' shares.

'C' Ordinary Share of £0.0001 each

The 'C' ordinary shareholders have no voting rights. The 'C' ordinary shareholders have rights to participate in profits of the company by way of a dividend.

The 'C' ordinary shareholders have rights to participate in the assets of the company in the event of a winding up of the Company or any other return of capital. In all other respects the shares rank pari passu with the 'A' and 'B' shares.

The company has agreed to grant options over a maximum of 2,000,000 ordinary 'C' shares to The Electoral Reform Society Ltd to acquire a shareholding of 'C' ordinary shares equal to 20% of the total ordinary shares in issue, of which 207,200 were exercised in the year. This grant of these options is not a share based payment. It is considered a consequence of the reorganisation of the company's share capital which was part of a wider arrangement to enable the grant of options to employees over the 'C' ordinary shares.

Electoral Reform Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

24. Reserves

The Group and Company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Share based payment / Own shares reserve

This includes the credit entry arising from share based payments, along with entries arising from the repurchase or sale of the company's own shares.

Profit and loss account

Profit and loss account represents the cumulative profits and losses made by the Group and Company since its inception.

Revaluation reserve

The revaluation reserve represents revaluation amounts arising on revaluation of freehold land and buildings.

Electoral Reform Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

25. Share based payments

On 1st October, 2014, the company granted options over 3,891,330 shares through an Enterprise Management Incentives share option scheme to the directors and employees on an all-employee basis at an option price of £0.0001 per C share. The period over which the outstanding options are capable of subsisting and are exercisable is the period from October, 2015 to December, 2019.

On 1st October, 2015, the company granted options over 480,000 shares through an Enterprise Management Incentives share option scheme to the directors and employees on an all-employee basis at an option price of £0.0001 per C share. The period over which the outstanding options are capable of subsisting and are exercisable is the period from October, 2016 to December, 2020.

On 15th December, 2016, the company granted options over 523,950 shares through an Enterprise Management Incentives share option scheme to the directors and employees on an all-employee basis at an option price of £0.0001 per C share. The period over which the outstanding options are capable of subsisting and are exercisable is the period from October, 2017 to December, 2021.

The exercise profile for each round of option grants is as follows:

- (1) In relation to 20% of the shares over which any given option has been granted, the employee can exercise from the first anniversary of the date of grant for a period of 90 days thereafter;
- (2) In relation to a further 20% of the shares over which any given option has been granted, the employee can exercise from the second anniversary of the date of grant for a period of 90 days thereafter;
- (3) In relation to a further 20% of the shares over which any given option has been granted, the employee can exercise from the third anniversary of the date of grant for a period of 90 days thereafter;
- (4) In relation to a further 20% of the shares over which any given option has been granted, the employee can exercise from the fourth anniversary of the date of grant for a period of 90 days thereafter;
- (5) In relation to a further 20% of the shares over which any given option has been granted, the employee can exercise from the fifth anniversary of the date of grant for a period of 90 days thereafter.

The exercise price and the share price are theoretical positions for purposes of the application of the Black-Scholes assumptions, based on the treatment of the growth shares as market value options.

The involvement of the directors and employees in the share scheme:-

	Weighted average exercise price (pence) 2016	Number 2016	Weighted average exercise price (pence) 2015	Number 2015
Outstanding at the beginning of the year	0.0001	3,425,064	0.0001	3,891,330
Granted during the year	0.0001	523,950	0.0001	480,000
Forfeited during the year (through leavers)	0.0001	(12,500)	0.0001	(47,500)
Exercised during the year	0.0001	(848,266)	0.0001	(768,766)
Expired or lapsed during the year	0.0001	(174,500)	0.0001	(130,000)
Outstanding at the end of the year	0.0001	2,913,748	0.0001	3,425,064

Electoral Reform Services Limited

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25. Share based payments (continued)

The expense calculation for the options granted on 1st October, 2014, 1st October, 2015 and 15th December, 2016, using the Black-Scholes option-pricing valuation model, is based on the following assumptions:

	2016	2015
Expected volatility	20%	20%
Expected dividend yield	0%	0%
Exercise price (pence)	54.0	55.0
Market value (pence)	54	55
Expected life	Various from 1 to 5 years	Various from 1 to 5 years
Risk-free interest rate	1.0%	1.0%

26. Business combinations

Acquisition of Shaw & Sons Group Limited and subsidiaries:

	Book value £	Fair value £
Tangible fixed assets	20,748	20,748
Intangible fixed assets	7,650	7,650
	28,398	28,398
Stocks	263,381	263,381
Debtors	422,649	422,649
Cash at bank and in hand	551,186	551,186
Total assets	1,265,614	1,265,614
Liabilities due within one year	(259,977)	(259,977)
Fair value of net assets	1,005,637	1,005,637
Goodwill	851,563	851,563
Total purchase consideration	1,857,200	1,857,200
Purchase consideration settled in cash, as above	1,857,200	1,857,200
Cash outflow on acquisition	1,857,200	1,857,200

Electoral Reform Services Limited

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26. Business combinations (continued)

Shaw & Sons Group Limited was acquired on 1 February 2016. 100% of the issued share capital was acquired.

The results of Shaw & Sons Group Limited and subsidiaries: since its acquisition are as follows:

	Current period since acquisition £
Turnover	2,013,970
Profit	<u>508,562</u>

27. Employee Share Ownership Plan ('ESOP') shares

At the year end, 309,952 'C' Ordinary shares of £0.0001 each were held by the Electoral Reform Services Employees' Share Trust. These were acquired during the year. At the year end these share had not vested with employees. No dividends were paid or are payable to the ESOP for shares directly held by them.

28. Capital commitments

At 31 December 2016 the Group and Company had capital commitments as follows:

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Contracted for but not provided in these financial statements:				
Acquisition of plant and equipment	<u>212,140</u>	<u>135,830</u>	<u>212,140</u>	<u>135,830</u>

29. Pension commitments

The Group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and amounted to £307,803 (2015 - £306,778). Contributions totalling £17,862 (2015 - £10,313) were payable to the fund at the reporting date.

Electoral Reform Services Limited

Notes to the Financial Statements For the Year Ended 31 December 2016

30. Commitments under operating leases

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

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Not later than 1 year	214,149	304,636	77,399	76,943
Later than 1 year and not later than 5 years	449,084	688,305	154,046	78,652
Later than 5 years	-	20,000	-	-
	<u>663,233</u>	<u>1,012,941</u>	<u>231,445</u>	<u>155,595</u>

31. Related party transactions

During the year dividends of £1,100,100 (2015: £1,386,494) were paid to Electoral Reform Society Limited. The Society has an interest in the Company.

The aggregate remuneration of key management personnel is £1,579,187 (2015: £1,295,501).

32. Controlling party

There is no ultimate controlling party.